INVALDA INVL

AB INVALDA INVL
Consolidated Annual Report, Consolidated and Company's Financial Statements for the year ended 31 December 2018

prepared in accordance with International Financial Reporting Standards as adopted by the European Union presented together with independent auditor's report

Translation note:

This version of the financial statements has been prepared in Lithuanian and English languages. In all matters of interpretation of information, views or opinions, the Lithuanian language version of financial statements takes precedence over the English language version.

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Independent auditor's report

To the shareholders of Invalda INVL AB

Report on the audit of the Company's and consolidated financial statements

Our opinion

In our opinion, Company's and consolidated financial statements give a true and fair view of the Company's and consolidated financial position of Invalda INVL AB ("the Company") and its subsidiaries ("the Group") as at 31 December 2018, and of Company's and consolidated financial performance and Company's and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited
The Company's and the Group's financial statements comprise:

- the Company's and consolidated statements of financial position as at 31 December 2018;
- the Company's and consolidated statements of income and comprehensive income for the year then ended;
- the Company's and consolidated statements of changes in equity for the year then ended;
- the Company's and consolidated statements of cash flows for the year then ended; and
- the notes to the Company's and consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the Law of the Republic of Lithuania on the Audit of Financial Statements that are relevant to our audit of the Company and consolidated financial statements in the Republic of Lithuania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Law of the Republic of Lithuania on the Audit of Financial Statements.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company and the Group are in accordance with the applicable law and regulations in the Republic of Lithuania and that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014 considering the exemptions of Regulation (EU) No 537/2014 endorsed in the Law of the Republic of Lithuania on the Audit of Financial Statements.

The non-audit services that we have provided to the Company and the Group, in the period from 1 January 2018 to 31 December 2018 are disclosed in consolidated annual report page 123.

Our audit approach

Overview

Overall Company and Group materiality is EUR 655 thousand

- We or component auditor, working under our instructions, conducted full scope audit work at 4 reporting units: 3 in Lithuania and 1 in Latvia.
- Our audit scope covered 98% of the Group's revenues and 99% of the Group's total assets.

- Valuation of unlisted equity investments

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Company's and consolidated financial statements (together "the financial statements"). In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company and Group materiality for the Company's and consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

Overall Company and Group materiality	Overall Company and Group materiality: EUR 655 thousand (2017 – EUR 640 thousand)
How we determined it	1% of the Company's and the Group's total equity
Rationale for the materiality benchmark applied	We chose the Company's and the Group's equity as a benchmark because, in our view, it is an appropriate measure of the size of the entity, and changes in it indicate the

performance of the Company and Group. Therefore, the value of equity and changes in it are commonly utilised by stakeholders of investment companies, and they are generally accepted benchmarks. The key driver of the business and determinant of the Company's and the Group's value is the value of investments into various equity instruments. For this reason, the key area of focus in the audit of the financial statements of the Company and the Group is the valuation of equity investments. We chose 1%, which is within the range of acceptable quantitative materiality thresholds.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above EUR 65 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*
Valuation of unlisted equity investments *Refer to page 40 (Note 2.29 'Significant accounting estimates and judgments') and pages 66 - 71 (Note 13 'Fair value estimation').* We focused on this area due to the size of the balance of unlisted financial instruments measured at fair value (EUR 22,545 thousand at the Company and 23,961 EUR thousand at the Group as at 31 December 2018), and because the management's assessment of their fair value involves judgements in respect of selection of valuation techniques and use of significant valuation inputs that are not quoted or otherwise observable in the financial markets (and defined as being Level 3 inputs in the fair value measurement hierarchy by IFRS 13). Those significant valuation inputs include EBITDA (earnings before interests, tax, depreciation and amortisation) of the equity investments, shareholders equity, EBITDA, net profit, EBITDA/net profit - price (P/E), price - book value (P/BV) multiples and discounts for the lack of marketability. In 2018, the Company's and the Group's net gain from fair value changes of Level 3 financial	We evaluated the appropriateness of methodologies and key assumptions and inputs used by the Company and the Group in valuation of each unlisted equity investment. In respect of the investments in agriculture (Litagra group), banking (MAIB bank) facility management (Inservis group), with assistance of our own valuation specialists, we performed the following detailed testing: - We agreed EBITDA, net profit and shareholders equity data to the accounting records of the respective entities; - We compared EBITDA/net profit (P/E) and P/BV multiples and discounts for the lack of marketability against independent sources and externally available market data; - We assessed the fair values per each model used and compared them against available alternative methods (e.g. recent transaction price), where possible; - We verified mathematical accuracy of valuation models by recalculating the fair values.

instruments recognised in the income statement amounted to EUR 2,760 thousand.

We focused our audit efforts on the fair value estimations of investments in agricultural, banking and facility management industries, the carrying amount of which was EUR 21,533 thousand as at 31 December 2018.

In respect of certain fair value estimations, our view was different from that of management, but, in our opinion, the differences were within a reasonable range of outcomes in the context of the overall amount of equity investments and the uncertainties disclosed in the financial statements.

We also assessed whether the disclosures in the financial statements in relation to the measurement of the fair values of financial instruments (Level 3), including sensitivities of key inputs, were compliant with the requirements of the relevant accounting standards.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We engaged the network component auditors in Latvia for the audit of Invalda INVL AB's subsidiary in Latvia. We have ourselves audited other Group entities. Our full-scope component audit addressed 98% of the Group's revenues and 99% of the Group's total assets.

Reporting on other information including the consolidated annual report

Management is responsible for the other information. The other information comprises the consolidated annual report, including the corporate governance report and social responsibility report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information, including the consolidated annual report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the consolidated annual report, we considered whether the consolidated annual report includes the disclosures required by the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings, the Law of the Republic of Lithuania on Financial Reporting by Undertakings implementing Article 19 of Directive 2013/34/EU.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the consolidated annual report for the financial year ended 31 December 2018, for which the financial statements are prepared, is consistent with the financial statements; and
- the consolidated annual report has been prepared in accordance with the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings and the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

The Company and the Group presented the social responsibility report as a part of the consolidated annual report.

In addition, in light of the knowledge and understanding of the Company and the Group and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated annual report which we obtained prior to the date of this auditor's report. We have nothing to report in this respect.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events

as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and have communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company and the Group for the year 2009. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 10 years.

The certified auditor on the audit resulting in this independent auditor's report is Rasa Radzevičienė.

On behalf of PricewaterhouseCoopers UAB

Radzevičienė

Rasa Radzevičienė
Partner
Auditor's Certificate No.000377

Vilnius, Republic of Lithuania
8 April 2019

DETAILS OF THE COMPANY

Board of Directors

Mr. Alvydas Banys (Chairman of the Board)
Ms. Indrė Mišeikytė
Mr. Darius Šulnis

Management

Mr. Darius Šulnis (President)
Mr. Raimondas Rajeckas (Chief Financial Officer)

Principal place of business and company code

Gynėjų str. 14,
Vilnius,
Lithuania

Company code 121304349

Banks

Luminor Bank AS Lithuanian branch
AB Šiaulių Bankas
AB SEB Bankas
"Swedbank" AS
Luminor Bank AS Latvian branch
"Swedbank", AB
AS "Meridian Trade Bank"

Auditor

UAB PricewaterhouseCoopers
J. Jasinskio str. 16B,
Vilnius, Lithuania

The financial statements were approved and signed by the Management and the Board of Directors on 8 April 2019.

Mr. Darius Šulnis
President

Mr. Raimondas Rajeckas
Chief Financial Officer

Consolidated and Company's income statements

		Group		Company	
	Notes	**2018**	**2017**	**2018**	**2017**
Revenue from contracts with customers (2017 – revenue)	5	7,428	7,094	38	-
Other income	6.2	8,686	1,215	8,631	1,196
Net changes in fair value of financial instruments at fair value through profit or loss	6.1	(7,499)	11,552	(7,546)	11,509
Employee benefits expenses	5	(4,964)	(3,701)	(430)	(367)
Funds distribution fees		(405)	(1,093)	-	-
Amortisation of costs to obtain contracts with customers	11	(161)	-	-	-
Information technology maintenance expenses		(433)	(247)	(11)	(8)
Depreciation and amortisation	10, 11	(352)	(338)	(3)	(4)
Premises rent and utilities		(370)	(308)	(31)	(29)
Advertising and other promotion expenses		(411)	(171)	-	(2)
Provision for impairment of financial and contract assets		(138)	4	(139)	-
Other expenses	6.3	(1,677)	(1,360)	(124)	(129)
Operating profit		**(296)**	**12,647**	**385**	**12,166**
Finance costs		-	(3)	(7)	(12)
Share of net (loss) profit of subsidiaries accounted for using the equity method	4	-	-	(681)	596
Profit before income tax		**(296)**	**12,644**	**(303)**	**12,750**
Income tax expense	7	639	(1,337)	646	(1,443)
NET PROFIT FOR THE YEAR		**343**	**11,307**	**343**	**11,307**
Attributable to:					
Equity holders of the parent		343	11,307	343	11,307
Basic earnings per share (in EUR)	8	0.03	0.98	0.03	0.98
Diluted earnings per share (in EUR)	8	0.03	0.97	0.03	0.97

Consolidated and Company's statements of comprehensive income

	Group		Company	
	2018	**2017**	**2018**	**2017**
NET PROFIT FOR THE YEAR	**343**	**11,307**	**343**	**11,307**
Net other comprehensive income that may be subsequently reclassified to profit or loss	-	-	-	-
Net other comprehensive income not to be reclassified to profit or loss	-	-	-	-
Other comprehensive income for the year, net of tax	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**343**	**11,307**	**343**	**11,307**
Attributable to:				
Equity holders of the parent	343	11,307	343	11,307

Consolidated and Company's statements of financial position

	Notes	Group As at 31 December 2018	Group As at 31 December 2017	Company As at 31 December 2018	Company As at 31 December 2017
ASSETS					
Non-current assets					
Property, plant and equipment	10	217	72	2	2
Intangible and costs to obtain contracts with customers assets	11	4,862	3,514	1	3
Investments into subsidiaries	1, 13, 4	10,144	13,994	20,391	21,990
Investments into associates	1, 13, 4	22,745	20,008	22,499	20,008
Investments available-for-sale	14	-	494	-	494
Financial assets at fair value through profit or loss	13, 14	19,857	20,804	16,385	20,804
Deferred income tax asset	7	476	625	-	-
Total non-current assets		**58,301**	**59,511**	**59,278**	**63,301**
Current assets					
Trade, other receivables and contract assets	16	7,703	1,903	6,640	217
Prepaid income tax		90	48	78	45
Prepayments and deferred charges		88	58	7	7
Financial assets at fair value through profit or loss	13, 14	-	2,976	-	1,560
Held to maturity	14	-	395	-	-
Other financial assets at amortised cost	14	386	-	-	-
Cash and cash equivalents	17	2,048	2,133	670	1,050
Total current assets		**10,315**	**7,513**	**7,395**	**2,879**
TOTAL ASSETS		**68,616**	**67,024**	**66,673**	**66,180**
EQUITY AND LIABILITIES					
Equity					
Equity attributable to equity holders of the parent					
Share capital	1, 19	3,441	3,441	3,441	3,441
Own shares	19	(1,233)	(1,214)	(1,233)	(1,214)
Share premium		4,996	4,996	4,996	4,996
Reserves	20	12,748	12,071	12,718	12,054
Retained earnings		45,552	44,702	45,582	44,719
Total equity		**65,504**	**63,996**	**65,504**	**63,996**
Liabilities					
Non-current liabilities					
Deferred income tax liability	7	722	1,316	695	1,316
Contract liabilities	23	175	-	-	-
Total non-current liabilities		**897**	**1,316**	**695**	**1,316**
Current liabilities					
Current borrowings	21	-	-	-	398
Trade payables	22	400	190	4	3
Income tax payable		-	31	-	-
Contract liabilities	23	22	-	-	-
Other current liabilities	24	1,793	1,491	470	467
Total current liabilities		**2,215**	**1,712**	**474**	**868**
Total liabilities		**3,112**	**3,028**	**1,169**	**2,184**
TOTAL EQUITY AND LIABILITIES		**68,616**	**67,024**	**66,673**	**66,180**

Consolidated and Company's statements of changes in equity

					Reserves			
Group	**Notes**	**Share capital**	**Own shares**	**Share premium**	**Legal and other reserves**	**Reserve for acquisition of own shares**	**Retained earnings**	**Total**
Balance as at 31 December 2016		**3,441**	**(1,108)**	**4,996**	**823**	**11,121**	**33,408**	**52,681**
Net profit for the year 2017		-	-	-	-	-	11,307	11,307
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**11,307**	**11,307**
Share-based payments	20	-	-	-	114	-	-	114
Acquired own shares	19	-	(106)	-	-	-	-	(106)
Changes in reserves		-	-	-	13	-	(13)	-
Total transactions with owners of the Company, recognised directly in equity		**-**	**(106)**	**-**	**127**	**-**	**(13)**	**8**
Balance as at 31 December 2017		**3,441**	**(1,214)**	**4,996**	**950**	**11,121**	**44,702**	**63,996**
Changes in accounting policy	3	-	-	-	-	-	960	960
Balance as at 1 January 2018 (restated)		**3,441**	**(1,214)**	**4,996**	**950**	**11,121**	**45,662**	**64,956**
Net profit for the year 2018		-	-	-	-	-	343	343
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**343**	**343**
Share-based payments	20	-	-	-	224	-	-	224
Acquired own shares	19	-	(19)	-	-	-	-	(19)
Changes in reserves	20	-	-	-	453	-	(453)	-
Total transactions with owners of the Company, recognised directly in equity		**-**	**(19)**	**-**	**677**	**-**	**(453)**	**205**
Balance as at 31 December 2018		**3,441**	**(1,233)**	**4,996**	**1,627**	**11,121**	**45,552**	**65,504**

Consolidated and Company's statements of changes in equity (cont'd)

					Reserves			
Company	**Notes**	**Share capital**	**Own shares**	**Share premium**	**Legal and other reserves**	**Reserve for acquisition of own shares**	**Retained earnings**	**Total**
Balance as at 31 December 2016		**3,441**	**(1,108)**	**4,996**	**819**	**11,121**	**33,412**	**52,681**
Net profit for the year 2017		-	-	-	-	-	11,307	11,307
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**11,307**	**11,307**
Share-based payments	20	-	-	-	114	-	-	114
Acquired own shares	19	-	(106)	-	-	-	-	(106)
Total transactions with owners of the Company, recognised directly in equity		**-**	**(106)**	**-**	**114**	**-**	**-**	**8**
Balance as at 31 December 2017		**3,441**	**(1,214)**	**4,996**	**933**	**11,121**	**44,719**	**63,996**
Changes in accounting policy	3	-	-	-	-	-	960	960
Balance as at 1 January 2018 (restated)		**3,441**	**(1,214)**	**4,996**	**933**	**11,121**	**45,679**	**64,956**
Net profit for the year 2018		-	-	-	-	-	343	343
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**343**	**343**
Share-based payments	20	-	-	-	224	-	-	224
Acquired own shares	19	-	(19)	-	-	-	-	(19)
Changes in reserves	20	-	-	-	440	-	(440)	-
Total transactions with owners of the Company, recognised directly in equity		**-**	**(19)**	**-**	**664**	**-**	**(440)**	**205**
Balance as at 31 December 2018		**3,441**	**(1,233)**	**4,996**	**1,597**	**11,121**	**45,582**	**65,504**

Consolidated and Company's statements of cash flows

	Notes	Group		Company	
		2018	2017	2018	2017
Cash flows from (to) operating activities					
Net profit for the year		343	11,307	343	11,307
Adjustment to reconcile result after tax to net cash flows:					
Non-cash:					
Depreciation and amortisation including amortisation of costs to obtain contracts with customers	10, 11	513	338	3	4
Realized and unrealized loss (gain) on investments	6.1	7,499	(11,552)	7,546	(11,509)
Share of net (loss) profit of subsidiaries accounted for using the equity method	4	-	-	681	(596)
Interest income		(53)	(57)	(49)	(49)
Interest expenses		-	-	7	12
Deferred taxes	7	(640)	1,287	(647)	1,443
Current income tax expenses	7	1	50	1	-
Provision for impairment of financial and contract assets		138	(4)	139	-
Share-based payment	20	224	114	34	41
Loss from acquisition of subsidiaries	4	-	58	-	-
Dividend income	6.2	(8,617)	(1,115)	(8,574)	(1,115)
		(592)	426	(516)	(462)
Working capital adjustments:					
Decrease (increase) in trade, other receivables and contract assets		678	(775)	54	-
Decrease (increase) in other current assets		(30)	43	-	41
Increase (decrease) in trade payables		71	(16)	(6)	(12)
Increase (decrease) in contract and other liabilities		388	122	28	18
Transfer to/from restricted cash	18	-	103	-	103
Cash flows from (to) operating activities		**515**	**(97)**	**(440)**	**(312)**
Dividends received		3,984	1,297	4,401	1,297
Acquisition of held-for-trading financial assets		-	(59)	-	(59)
Proceeds from sale of held-for-trading financial assets		1,971	-	1,971	-
Loans granted		(395)	(165)	(395)	(165)
Repayment of granted loans		3	437	3	437
Interest received		17	27	4	13
Income tax paid		(40)	(33)	-	-
Net cash flows from (to) operating activities		**6,055**	**1,407**	**5,544**	**1,211**

(cont'd on the next page)

Consolidated and Company's statements of cash flows (cont'd)

	Notes	Group		Company	
		2018	2017	2018	2017
Cash flows from (to) investing activities					
Acquisition of non-current assets (intangible and property, plant and equipment)		(114)	(98)	(1)	(1)
Proceeds from sale of non-current assets (intangible and property, plant and equipment)		-	-	-	-
Costs to obtain contracts with customers		(549)	-	-	-
Acquisition and establishment of subsidiaries, net of cash acquired	4	(4,732)	(68)	(5,758)	(217)
Acquisition of associates	4	(292)	(16)	(104)	(16)
Proceeds from sales of associates	4	57	-	57	-
Acquisition of financial assets at fair value through profit or loss (except held-for-trading)		(691)	(682)	(91)	(182)
Sale of financial assets at fair value through profit or loss (except held-for-trading)		206	637	5	-
Acquisition of held to maturity investments		-	(394)	-	-
Net cash flows from (to) investing activities		**(6,115)**	**(621)**	**(5,892)**	**(416)**
Cash flows from (to) financing activities					
Cash flows related to company shareholders:					
Dividends paid to equity holders of the parent		(6)	(11)	(6)	(11)
Acquisition of own shares	19	(19)	(106)	(19)	(106)
		(25)	(117)	(25)	(117)
Cash flows related to other sources of financing:					
Proceeds from borrowings		-	-	-	-
Repayment of borrowings		-	-	-	-
Interest paid		-	-	(7)	(12)
		-	-	(7)	(12)
Net cash flows to financing activities		**(25)**	**(117)**	**(32)**	**(129)**
Impact of currency exchange on cash and cash equivalents		**-**	**-**	**-**	**-**
Net increase (decrease) in cash and cash equivalents		**(85)**	**669**	**(380)**	**666**
Cash and cash equivalents at the beginning of the year	17	**2,133**	**1,464**	**1,050**	**384**
Cash and cash equivalents at the end of the year	17	**2,048**	**2,133**	**670**	**1,050**

(the end)

Notes to the financial statements

1. General information

AB Invalda INVL (hereinafter the Company) is a public limited liability company registered in the Republic of Lithuania on 20 March 1992. The address of its registered office is:

Gynėjų str. 14,
Vilnius,
Lithuania.

The Company is incorporated and domiciled in Lithuania. AB Invalda INVL is one of the leading asset management groups and one of the major companies investing in other businesses in the Baltic whose primary objective is to steadily increase the investors equity value, solely for capital appreciation or investment income (in the form of dividends and interest). The Company's main investments are in asset management, agriculture, facility management, real estate (from 2016) segments. Asset management segment is strategical investment of the Company. The entities of the asset management segment manage pension, bond and equity investments funds, alternative investments, individual portfolios, private equity and other financial instruments. They serve more than 200 thousand clients in Lithuania and Latvia, plus international investors, with total assets under management of over EUR 675 million.

In respect of each business the Company defines its performance objectives, sets up the management team, participates in the development of the business strategy and monitors its implementation. The Company plays an active role in making the decisions on strategic and other important issues that have an effect on the value of the Group companies.

The Company's shares are traded on the Baltic Secondary List of Nasdaq Vilnius.

Given the fact that the treasury shares do not grant voting rights, the total amount of voting rights in the Company equalled to 11,560,137 units as at 31 December 2018 (as at 31 December 2017 – 11,563,533 units, Note 19). As at 31 December 2018 and 2017 the shareholders of the Company were (by votes):

	2018		2017	
	Number of votes held	Percentage (%)	Number of votes held	Percentage (%)
UAB LJB Investments	3,515,855	30.41	3,515,855	30.40
Mrs. Irena Ona Mišeikiene	3,369,435	29.15	3,369,435	29.14
UAB Lucrum Investicija	2,401,442	20.77	2,638,309	22.81
Mr. Alvydas Banys	910,875	7.88	910,875	7.88
Ms. Indrė Mišeikytė	236,867	2.05	236,867	2.05
Other minor shareholders	1,125,663	9.74	892,192	7.72
Total	11,560,137	100.00	11,563,533	100.00

The shareholders of the Company – Mr. Alvydas Banys, UAB LJB Investments, Mrs. Irena Ona Mišeikienė, Ms. Indrė Mišeikytė, Mr. Darius Šulnis and UAB Lucrum Investicija – have signed the agreement on the implementation of a long-term corporate governance policy. So, their votes are counted together (90.26%).

All the shares of the Company are ordinary shares with the par value of EUR 0.29 each and were fully paid as at 31 December 2018 and 2017. Subsidiaries and associates did not hold any shares of the Company as at 31 December 2018 and 2017.

As at 31 December 2018 the number of employees of the Group was 555 (as at 31 December 2017 – 489). As at 31 December 2018 the number of employees of the Company was 7 (as at 31 December 2017 – 7).

According to the Law on Companies of Republic of Lithuania, the annual financial statements prepared by the Management are authorised by the General Shareholders' meeting. The shareholders hold the power not to approve the annual financial statements and the right to request new financial statements to be prepared.

1 General information (cont'd)

The Group consists of the Company and the following consolidated directly and indirectly owned subsidiaries (hereinafter the Group).

Name	Country of incorporation and place of business	Proportion of shares (voting rights) directly/indirectly held by the Company/Group (%)		Nature of business
		As at 31 December 2018	As at 31 December 2017	
Asset management segment:				
UAB INVL Asset Management	Lithuania	100.00	100.00	Pension and investments funds, alternative investments, clients' portfolio management
IPAS INVL Asset Management	Latvia	100.00	100.00	Pension and investments funds, clients' portfolio management
AS INVL Atklātais Pensiju Fonds	Latvia	100.00	100.00	3nd pillar pension funds management
UAB FMĮ INVL Finasta	Lithuania	100.00	100.00	Financial brokerage
UAB INVL Farmland Management	Lithuania	100.00	100.00	Land administration services
UAB Invalda INVL Investments	Lithuania	100.00	100.00	Dormant

As at 31 December 2018 and 2017 the Group has also the following subsidiaries, which measured at fair value through profit or loss.

Name	Country of incorporation and place of business	Proportion of shares (voting rights) directly/indirectly held by the Company/Group (%)		Nature of business
		As at 31 December 2018	As at 31 December 2017	
Facility management segment:				
UAB Inservis	Lithuania	100.00	100.00	Facilities management
UAB IPP Integracijos Projektai*	Lithuania	100.00	100.00	Dormant
UAB Priemiestis*	Lithuania	100.00	100.00	Facilities management
UAB Jurita*	Lithuania	100.00	100.00	Facilities management
SIA Inservis*	Latvia	100.00	100.00	Facilities management
UAB Įmonių Grupė Inservis	Lithuania	100.00	100.00	Investment into facilities management entities
Other production and services segments:				
UAB Kelio Ženklai	Lithuania	100.00	100.00	Road signs production, wood manufacturing
VšĮ Iniciatyvos Fondas	Lithuania	100.00	100.00	Social initiatives activities
UAB Aktyvo	Lithuania	54.55	54.55	Management of bad debt
UAB Aktyvus Valdymas	Lithuania	100.00	100.00	Dormant
UAB Cedus Invest	Lithuania	100.00	100.00	Investment into agriculture entity (investment entity)
UAB MGK Invest	Lithuania	100.00	100.00	Dormant
UAB MBGK*	Lithuania	100.00	100.00	Dormant
UAB RPNG	Lithuania	100.00	100.00	Dormant
UAB Regenus	Lithuania	100.00	100.00	Dormant
UAB Consult Invalda	Lithuania	100.00	100.00	Dormant
UAB Cedus	Lithuania	100.00	100.00	Dormant
UAB MD Partners**	Lithuania	100.00	-	Investment into bank (investment entity)
UAB BSGF Sanus	Lithuania	100.00	-	Dormant
UAB BSGF Fortis	Lithuania	100.00	-	Dormant

*These entities are owned indirectly by the Company as at 31 December 2018 and/or 2017.
**If consider potential voting rights from issued convertible bonds, the Group/the Company held 51.36% of the entity.

1 General information (cont'd)

The Group has not any significant restriction on ability to access or use its assets and settle its liabilities. The Company has not any significant restriction on the ability of an unconsolidated subsidiary to transfer funds to the Company.

If the unconsolidated subsidiary has liquidity difficulties, the Company grants loans to the subsidiary after analysis of its needs. The Company has not any contractual commitments to provide financial support to unconsolidated subsidiary. In 2018 and 2017 the Company has granted EUR 95 thousand and EUR 165 thousand of loans to maintain the activity of the subsidiaries, respectively.

As at 31 December 2018 the Group has the following associates, which measured at fair value through profit or loss:

Name	Country of incorporation and place of business	Proportion of shares (voting rights) directly/indirectly held by the Company/Group (%)	Nature of business
Agriculture segment:			
UAB Litagra*	Lithuania	40.98	The primary crop and livestock (milk) production and feed production
Real estate segment:			
Special Closed-Ended Type Real Estate Investment Company INVL Baltic Real Estate	Lithuania	32.29	Real estate owner and lessor
Facility management segment:			
UAB Informacinio Verslo Paslaugų Įmonė	Lithuania	36.67	Payments administration for public utilities
Asset management segment:			
UAB Mundus	Lithuania	51.00	Private debt investments funds management
Other production and services segments:			
Heim Partners Limited**	United Kingdom	37.50	Investment into bank

*Owned voting rights of UAB Litagra is increased, because entity is acquired 10% of own shares from its other shareholders.
**If consider potential voting rights from issued convertible bonds of UAB MD Partners, the Group/the Company indirectly held 19.26% of the entity.

As at 31 December 2017 the Group has the following associates, which measured at fair value through profit or loss:

Name	Country of incorporation and place of business	Proportion of shares (voting rights) directly/indirectly held by the Company/Group (%)	Nature of business
Agriculture segment:			
UAB Litagra*	Lithuania	36.88	The primary crop and livestock (milk) production and feed production
Real estate segment:			
Special Closed-Ended Type Real Estate Investment Company INVL Baltic Real Estate	Lithuania	32.13	Real estate owner and lessor
Facility management segment:			
UAB Informacinio Verslo Paslaugų Įmonė	Lithuania	36.67	Payments administration for public utilities

*In December 2017 was sold trading business and grain elevators network of the group of UAB Litagra (Note 4).

UAB Informacinio Verslo Paslaugų Įmonė, UAB Mundus and Heim Partners Limited have not any significant restriction on the ability of the associates to transfer funds to the Group as at 31 December 2018 and 2017. UAB Litagra has to receive bank consent to pay dividends as at 31 December 2018. Special Closed-Ended Type Real Estate Investment Company INVL Baltic Real Estate (hereinafter INVL Baltic Real Estate) has the right to pay dividends without bank consent only if the ratio of EBITDA (earnings before interest, tax, depreciation and amortization) divided by the sum of debt service costs (interest and principal repayments) and dividends would be higher than 1.1.

2. Summary of significant accounting policies

The principal accounting policies applied in preparing the Group's and the Company's financial statements for the year ended 31 December 2018 are as follows:

2.1. Basis of preparation

Statement of compliance

The financial statements of the Company and the consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (hereinafter the EU).

These financial statements have been prepared on a historical cost basis, except for financial assets and liabilities at fair value through profit or loss, investments to subsidiaries and associates measured at fair value through profit or loss. The financial statements are presented in thousands of euro (EUR) and all values are rounded to the nearest thousand except when otherwise indicated. From 1 January 2015 the euro became local currency of the Republic of Lithuania.

Adoption of new and/or changed IFRSs and IFRIC interpretations

The Group has adopted the new and amended IFRS and IFRIC interpretations as of 1 January 2018:

- IFRS 9 *Financial Instruments* effective 1 January 2018;
- IFRS 15 *Revenue from Contracts with Customers* effective 1 January 2018;
- Amendments to IFRS 15 *Revenue from Contracts with Customers* effective 1 January 2018;
- Amendments to IFRS 2 *Share-based Payments* effective 1 January 2018;
- *Annual Improvements* to IFRSs 2014-2016 Cycle effective 1 January 2018 (changes to IFRS 1 and IAS 28);
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* effective 1 January 2018;
- Amendments to IAS 40 *Transfers of Investment Property* effective 1 January 2018;
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply overlay approach).

The principal effects of these changes are as follows:

IFRS 9 *Financial Instruments*

Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated as at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

IFRS 9 *Financial Instruments (cont'd)*

The adoption of IFRS 9, Financial Instruments, from 1 January 2018 resulted in changes in accounting policies as disclosed in Notes 2.11; 2.13; 2.14; 2.16 however as disclosed in notes 14, 16 and 17 there was no significant impact on recognition, measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets. In Note 3 it is disclosed impact of classification of financial assets and financial liabilities to the Group's and the Company's financial statements.

The Group/the Company had applied the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 were not restated.

IFRS 15 *Revenue from Contracts with Customers*
Amendments to IFRS 15 *Revenue from Contracts with Customers*

The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

The amendments do not change the underlying principles of the standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard.

New accounting policies are disclosed in Note 2.19. In Note 3 it is disclosed the adjustments made to the Group's and the Company's financial statements individual line items due to impact of adoption of the standard. Additional disclosures are presented in Notes 5; 11 and 23.

The Group/the Company had applied the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 were not restated.

Amendments to IFRS 2 *Share-based Payments*

The amendments mean that non-market performance vesting conditions will impact measurement of cash-settled share-based payment transactions in the same manner as equity-settled awards. The amendments also clarify classification of a transaction with a net settlement feature in which the entity withholds a specified portion of the equity instruments, that would otherwise be issued to the counterparty upon exercise (or vesting), in return for settling the counterparty's tax obligation that is associated with the share-based payment. Such arrangements will be classified as equity-settled in their entirety. Finally, the amendments also clarify accounting for cash-settled share based payments that are modified to become equity-settled, as follows (a) the share-based payment is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification; (b) the liability is derecognised upon the modification, (c) the equity-settled share-based payment is recognised to the extent that the services have been rendered up to the modification date, and (d) the difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date is recorded in profit or loss immediately. The amendments had no impact on the Group's and the Company's financial statements for the year ended 31 December 2018.

Annual Improvements to IFRSs 2014-2016 Cycle (changes to IFRS 1 and IAS 28)

The improvements impact two standards effective from 1 January 2018. IFRS 1 was amended to delete some of the short-term exemptions from IFRSs after those short-term exemptions have served their intended purpose. The amendments to IAS 28 clarify that venture capital organisations or similar entities have an investment-by- investment choice for measuring investees at fair value. Additionally, the amendment clarifies that if an investor that is not an investment entity has an associate or joint venture that is an investment entity, the investor can choose on an investment-by-investment basis to retain or reverse the fair value measurements used by that investment entity associate or joint venture when applying the equity method. The amendments had no impact on the Group's and the Company's financial statements for the year ended 31 December 2018.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

The interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contracts. The interpretation clarifies that the date of transaction, i.e. the date when the exchange rate is determined, is the date on which the entity initially recognises the non-monetary asset or liability from advance consideration. However, the entity needs to apply judgement in determining whether the prepayment is monetary or non-monetary asset or liability based on guidance in IAS 21, IAS 32 and the Conceptual Framework. The interpretation had no impact on the Group's and the Company's financial statements for the year ended 31 December 2018.

All other amendments adopted as of 1 January 2018 had no impact on the Group's/Company's financial statements for the year ended 31 December 2018.

Standards adopted by the EU but not yet effective

IFRS 16 *Leases* (effective for annual periods beginning on or after 1 January 2019)

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group and the Company are currently assessing the impact of the standard on their financial statements. The Group and the Company would have to recognise assets and liabilities for its premises lease contracts (Note 26). The Group and the Company would be recognized right of use assets and lease liability of EUR 1,478 thousand and EUR 121 thousand, respectively. In the income statement depreciation of lease assets and interest on lease liabilities would replace currently recognised lease expenses. The maturity of lease agreements is until 2025.

IFRIC 23, *Uncertainty over Income Tax Treatments* (effective for annual periods beginning on or after 1 January 2019)

IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The Group and the Company is currently assessing the impact of the interpretation on its financial statements, but are not expecting that impact would be material.

Annual Improvements to IFRSs 2015-2017 cycle (effective for annual periods beginning on or after 1 January 2019)

The narrow scope amendments impact four standards. IFRS 3 was clarified that an acquirer should remeasure its previously held interest in a joint operation when it obtains control of the business. Conversely, IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa. The amended IAS 12 explains that an entity recognises all income tax consequences of dividends where it has recognised the transactions or events that generated the related distributable profits, eg in profit or loss or in other comprehensive income. It is now clear that this requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits. The revised IAS 23 now includes explicit guidance that the borrowings obtained specifically for funding a specified asset are excluded from the pool of general borrowings costs eligible for capitalisation only until the specific asset is substantially complete. The Group and the Company is currently assessing the impact of the amendments on its financial statements, but are not expecting that impact would be material.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

Standards adopted by the EU but not yet effective (cont'd)

Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* (effective for annual periods beginning on or after 1 January 2019).

The amendments clarify that reporting entities should apply IFRS 9 to long-term loans, preference shares and similar instruments that form part of a net investment in an equity method investee before they can reduce such carrying value by a share of loss of the investee that exceeds the amount of investor's interest in the investee. The Group and the Company is currently assessing the impact of the amendments on its financial statements, but are not expecting that impact would be material.

The following new standards adopted by the EU but not yet effective are not relevant for the Group and the Company:

- Amendments to IFRS 9 *Prepayment Features with Negative Compensation* (effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019)

Standards not yet adopted by the EU

Amendments to the *Conceptual Framework for Financial Reporting* (effective for annual periods beginning on or after 1 January 2020 once adopted by the EU).

The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Group and the Company is currently assessing the impact of the amendments on its financial statements.

Amendments to IFRS 3 *Business Combination: Definition of a business* (effective for annual periods beginning on or after 1 January 2020 once adopted by the EU).

The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The Group and the Company is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 1 and IAS 8: Definition of materiality (effective for annual periods beginning on or after 1 January 2020 once adopted by the EU).

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Group and the Company is currently assessing the impact of the amendments on its financial statements.

The following new standards not yet adopted by the EU are not relevant for the Group and the Company:
- IFRS 17 *Insurance Contracts* (effective for annual periods beginning on or after 1 January 2021 once adopted by the EU)

The adoption of the following new standards and amendments are postponed by the EU indefinitely:
- IFRS 14 *Regulatory Deferral Accounts* (effective for annual periods beginning on or after 1 January 2016 once adopted by the EU)
- Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective for annual periods beginning on or after a date to be determined by the IASB once adopted by the EU)

The Group and the Company has not yet analysed impact of them to its financial statements.

2 Summary of significant accounting policies (cont'd)

2.2. Investment entity and consolidated financial statements

Investment entity

The Company has multiple unrelated investors and holds multiple investments. Ownership interests in the Company are in the form of equity securities issued by the Company – ordinary registered shares. In the management's opinion, the Company meets the definition of an investment entity as the following conditions exist:

(i) The Company obtains funds from investors for the purpose of providing them with investment management services.
(ii) The Company commits to investors that its business purpose in to invest funds solely for capital appreciation, investment income, or both. And
(iii) The management measures and evaluates its investments and makes investment decisions on a fair value as a key criterion.

Subsidiaries

The Company has no subsidiaries other than those determined to be controlled subsidiary investments and those who provide services that are related to the entity's investment activities. Controlled subsidiary investments are measured at fair value through profit or loss and not consolidated, in accordance with IFRS 10. The fair value of controlled subsidiary investments is determined on a consistent basis to all other investments measured at fair value through profit or loss, and as described in the Note 2.12 below. The subsidiaries that provide services that are related to the entity's investment activities are consolidated.

Associates

An associate is an entity, over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Investments that are held as part of the Company's investment portfolio are carried at fair value even though the Company may have significant influence over those companies. This treatment is permitted by IAS 28 'Investments in associates and joint ventures' as exception from applying the equity method.

2.3. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries that provide services that are related to the entity's investment activities. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

Subsidiaries are all entities (including structured entities) over which the group has control and that provide services that are related to the entity's investment activities. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent and is presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Total comprehensive income (losses) within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or retained earnings, as appropriate.

2 Summary of significant accounting policies (cont'd)

2.4. Functional and presentation currency

From 1 January 2015 the euro became local currency of the Republic of Lithuania. The financial statements are prepared in euro (EUR), which is local currency of the Republic of Lithuania, and presented in EUR thousand. Euro is also the local currency of the Republic of Latvia. Euro is the Company's and the Group's functional and presentation currency. The exchange rates in relation to other currencies are set daily by the European Central Bank and the Bank of Lithuania.

As these financial statements are presented in euro thousand, individual amounts were rounded. Due to the rounding, totals in the tables may not add up.

2.5. Property, plant and equipment

Property, plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when the cost is incurred, if the recognition criteria are met. Replaced parts are written off.

The carrying values of property, plant and equipment are reviewed for impairment when events or change in circumstances indicate that the carrying value may not be recoverable.

Depreciation is calculated using the straight-line method over the following estimated useful lives.

Vehicles	6 years
Other non-current assets	3–6 years

The asset residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end to ensure that they are consistent with the expected pattern of economic benefits from items in property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement within "other income" in the year the asset is derecognised.

2.6. Intangible assets other than goodwill

Intangible assets are measured initially at cost. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets other than goodwill are assessed to be finite. Intangible assets are amortised using the straight-line method over the best estimate of their useful lives.

Funds' management rights

Funds' management rights include investment, pension funds and portfolio of clients acquired during asset management entities acquisition. Funds' management rights acquired in a business combination are capitalised at the fair value at the acquisition date and treated as an intangible asset. Following initial recognition, funds' management rights are carried at cost less any accumulated impairment losses. Funds' management rights are amortised during 5 - 20 years.

Software

The costs of acquisition of new software are capitalised and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortised during 3-5 years.

Costs incurred in order to restore or maintain the future economic benefits that the Group and the Company expect from the originally assessed standard of performance of existing software systems are recognised as an expense when the restoration or maintenance work is carried out.

2 Summary of significant accounting policies (cont'd)

2.7. Business combinations and goodwill

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IFRS 9 (till 31 December 2017 - IAS 39) either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity. In instances where the contingent consideration does not fall within the scope of IFRS 9 (till 31 December 2017 - IAS 39), it is measured in accordance with the appropriate IFRS.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of annual impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment determined in accordance with IFRS 8 Operating Segments.

Where goodwill forms part of a cash generating unit (group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

2 Summary of significant accounting policies (cont'd)

2.8. Investments in subsidiaries, associates (the Company)

Investments in unconsolidated subsidiaries, associates are measured at fair value through profit or loss. Non-current loans granted to unconsolidated subsidiaries are considered as part of investments to subsidiaries. They are measured together with equity part of investments to subsidiaries at fair value through profit or loss.

Interest on loans granted at fair value through profit or loss is recognised in the income statement within 'other income' based on the effective interest rate.

When the fair value of investments into subsidiaries together with non-current loans granted to subsidiaries is determined, the value is split into legal components, i.e. between debt and equity instruments. The amortised cost of loans granted is attributed to debt instruments. The remaining value is attributed to equity instruments of the subsidiary.

Investments in consolidated subsidiaries are accounted for using the equity method of accounting. Under the equity method, the investment in the subsidiary is carried in the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the subsidiary. Goodwill relating to a subsidiary is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The statement of comprehensive income reflects the share of the results of operations of the subsidiary. Where there has been a change recognised in the other comprehensive income of the subsidiary, the Company recognises its share of any changes and discloses this, when applicable, in the other comprehensive income. Company's share in the changes in the net assets of the subsidiary that are not recognised in profit or loss or other comprehensive income (OCI) of the subsidiary, are recognised in equity. Unrealised gains and losses (unless the transaction provides evidence of the impairment of asset transferred) resulting from transactions between the Company and the subsidiary are eliminated to the extent of the interest in the subsidiary.

The reporting dates of the subsidiary and the Company are identical and the subsidiary's accounting policies conform to those used by the Company for like transactions and events in similar circumstances. After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss of the Company's investment in its subsidiaries. The Company determines at each reporting date whether there is any objective evidence that the investment in subsidiary is impaired. If this is the case the Company calculates the amount of impairment as being the difference between the recoverable amount of the subsidiary and its carrying value and recognises the amount in the statement of comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the subsidiary.

2.9. Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

In the consolidated income statement of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing activities as a single amount as profit or loss after tax from discontinued operations in the income statement, even when the Group retains a non-controlling interest in the subsidiary after the sale, e.g. subsidiary becomes an associate.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

When preparing the consolidated statement of income, all inter-company transactions between discontinued and continuing operations that the Group intends to conduct after the discontinuance, are presented in continuing operation without elimination, i.e. they are presented as if they were conducted with third parties. In this case the elimination entry is recorded in discontinued operations. All inter-company transactions between discontinued and continuing operations that the Group does not intend to conduct after the discontinuance, are eliminated from continuing operation.

2 Summary of significant accounting policies (cont'd)

2.10. Impairment of non-financial assets

The Group and the Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group and the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses are recognised in the income statement.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group and the Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash generating unit (or group of cash generating units), to which the goodwill relates. Where the recoverable amount of the cash generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as at 31 December.

2.11. Financial assets

Accounting policy from 1 January 2018

Financial assets within the scope of IFRS 9 are classified as either financial assets at fair value through profit or loss (either through other comprehensive income or through profit or loss) or financial assets measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or in other comprehensive income. The Group and the Company reclassifies debt instruments when and only when its business model for managing those assets changes.

Financial assets are recognised when the Group and the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company has transferred substantially all the risks and rewards of ownership.

All regular way purchases and sales of financial assets are recognised on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

At initial recognition, the Group/the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

2 Summary of significant accounting policies (cont'd)

2.11 Financial assets (cont'd)

Accounting policy from 1 January 2018 (cont'd)

Debt instruments

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is calculated using the effective interest rate method and presented as "other income" in the income statement. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as separate line item in the income statement. The Group's and the Company's financial assets at amortised cost comprised trade and other receivables, bonds, cash and cash equivalents.

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in separate line item. Interest income from these financial assets is included in "other income" using the effective interest rate method. Foreign exchange gains and losses are presented in "other income" and impairment expenses are presented as separate line item in the income statement. The Group and the Company does not have financial assets attributed to this group of debt instruments.

Assets that do not meet the criteria for amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within "Net changes in fair value of financial instruments at fair value through profit or loss" in the period in which it arises.

Equity instruments

The Group and the Company subsequently measures all equity investments at fair value through profit or loss. Changes in the fair value of these financial assets are recognised within "Net changes in fair value of financial instruments at fair value through profit loss" in the income statement.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Accounting policy applied until 31 December 2017

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the financial assets were acquired. The Group and the Company determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial asset or financial liability not at fair value through profit or loss, directly attributable transaction costs. The Group and the Company considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

All regular way purchases and sales of financial assets are recognised on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2 Summary of significant accounting policies (cont'd)

2.11 Financial assets (cont'd)

Accounting policy applied until 31 December 2017 (cont'd)

Financial assets at fair value through profit or loss

The Group and the Company classifies its investments in debt and equity securities, and derivatives, as financial assets at fair value through profit or loss.

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception.

(i) Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separable embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

(ii) Financial assets designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Group's documented investment strategy. The Group's and the Company's policy requires the Management Board to evaluate the information about these financial assets on a fair value basis together with other related financial information.

Gains or losses on financial assets at fair value through profit or loss are recognized in profit and loss within "Net change in fair value of financial instruments at fair value through profit or loss". Interest on debt securities at fair value through profit or loss is recognized within other income based on the effective interest rate. Dividends earned on investments are recognised in the income statement as "other income" when the right of payment has been established. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through amortisation process. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'loans granted', 'trade and other receivables', 'deposits', 'restricted cash' and 'cash and cash equivalents' in the statement of financial position (see Notes 15, 16, 17, 18).

Available-for-sale financial instruments

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of other categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses being recognised as other comprehensive income in the fair value reserve. When the investment is disposed of, the cumulative gain or loss previously accumulated in equity is recognised in the income statement. Interest earned on the investments is reported as interest income or expense using the effective interest rate. Dividends earned on investments are recognised in the income statement as other income when the right of payment has been established. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Unquoted ordinary shares, which fair value cannot be measured reliably, are measured at cost.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2 Summary of significant accounting policies (cont'd)

2.12. Fair value estimation

The fair value of investments traded in active markets is based on quoted market prices at the close of trading, which is the date closest to the reporting date. The fair value of investments that are not traded in active markets is determined by using valuation techniques. Such valuation techniques may include the most recent transactions in the market, the market price for similar transactions, discounted cash flow analysis or any other valuation models.

2.13. Impairment of financial and contract assets

Accounting policy from 1 January 2018

From 1 January 2018, the Group and the Company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group/the Company follows a three-stage model for impairment for financial assets other than trade receivables:

- Stage 1 – balances, for which the credit risk has not increased significantly since initial recognition, or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months;
- Stage 2 – comprises balances for which there have been a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the probability of default ('PD') as the weight;
- Stage 3 – comprises balances with objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

Loans granted are considered to be low credit risk when they have a low risk of default and the borrower has a strong capacity to meet its contractual cash flow obligations in the near term.

The financial asset is considered as credit-impaired, if objective evidence of impairment exists at the reporting date. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganisation.

Financial assets are written off, in whole or in part, when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible.

For trade, other receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Trade receivables and contract assets are classified either to Stage 2 or Stage 3:

- Stage 2 – comprises receivables for which there the simplified approach was applied to measure the expected lifetime credit losses, except for certain trade receivables classified in Stage 3;
- Stage 3 – comprises trade receivables which are overdue more than 90 days (except is reasonable explanation for that) or individually identified as impaired.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivable. Such forward-looking information would include:

- changes in economic, regulatory, technological and environmental factors, (such as industry outlook, GDP, employment and politics); and
- external market indicators.

2 Summary of significant accounting policies (cont'd)

2.13 Impairment of financial and contract assets (cont'd)

Accounting policy applied until 31 December 2017

Assets carried at amortised cost

The Group and the Company assesses at each reporting date whether is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the group uses to determine that there is objective evidence of an impairment loss include:
- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) Adverse changes in the payment status of borrowers in the portfolio; and
  (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group and the Company first assesses whether objective evidence of impairment exists.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss within "provision for impairment of financial and contract assets".

The Group and the Company assesses whether objective evidence of impairment exists individually for financial assets. When financial asset is assessed as uncollectible and all collateral has been realised or has been transferred to the Group and the Company the impaired asset is derecognised. The objective evidence for that is insolvency proceedings against the debtor is initiated and the debtor has not enough assets to pay to creditors, the debtor could not be found.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss within "provision for impairment of financial and contract assets", to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group and the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Available-for-sale financial investments

The Group and the Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the group uses the same criteria as financial assets carried at amortised cost. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income. If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

2 Summary of significant accounting policies (cont'd)

2.14. Trade receivables

Accounting policy from 1 January 2018

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group and the Company hold the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's and Company's impairment policies and the calculation of the loss allowance are provided in Note 2.13.

Accounting policy applied until 31 December 2017

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.15. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and in current bank account as well as deposit in bank with an original maturity of three months or less.

The cash or short-term deposits, which use is restricted, are presented in caption 'restricted cash' in the statement of financial position (see Note 18).

2.16. Financial liabilities

Accounting policy from 1 January 2018

The Group and the Company recognises a financial liability when it first becomes a party to the contractual rights and obligations in the contract.

All financial liabilities are initially recognised at fair value, minus (in the case of a financial liability that is not at fair value through profit or loss) transaction costs that are directly attributable to issuing the financial liability. Financial liabilities are measured at amortised cost using the effective interest method or at fair value through profit or loss. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Financial liabilities included in trade payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Borrowings

Borrowings are recognised initially at fair value less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group/Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Financial liabilities at fair value through profit or loss

After initial recognition, financial liabilities at fair value through profit or loss are subsequently measured at fair value through profit or loss. To this group of financial liabilities is attributable contingent consideration and derivatives that are liabilities.

2 Summary of significant accounting policies (cont'd)

2.16 Financial liabilities (cont'd)

Accounting policy applied until 31 December 2017

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group and the Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of other financial liabilities, plus directly attributable transaction costs.

All financial liabilities of the Company and the Group are classified as other financial liabilities. The measurement of financial liabilities depends on their classification as follows:

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17. Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group and the Company retain the right to receive cash flows from the asset, but have assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- the Group or the Company have transferred their rights to receive cash flows from the asset and either (a) have transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

Where the Group and the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's and the Company's continuing involvement in the asset.

In that case, the Group and the Company's also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

2 Summary of significant accounting policies (cont'd)

2.18. Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c) There is a change in the determination of whether fulfilment is dependent on a specified asset; or
d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a), c) or d) and at the date of renewal or extension period for scenario b).

Operating lease

Group as a lessee

Leases where the lessor retains all the risk and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentives received from the lessor) are recognised as an expense in the income statement on a straight-line basis over the lease term.

If the result of sales and lease back transactions is operating lease and it is obvious that the transaction has been carried out at fair value, any profit or loss is recognised immediately. If the sales price is lower than the fair value, any profit or loss is recognised immediately, except for the cases when the loss is compensated by lower than market prices for lease payments in the future. The profit is then deferred and it is amortised in proportion to the lease payments over a period, during which the assets are expected to be operated. If the sales price exceeds the fair value, a deferral is made for the amount by which the fair value is exceeded and it is amortised over a period, during which the assets are expected to be operated.

2.19. Revenue recognition and costs to obtain contract with customers

Accounting policy from 1 January 2018

Revenue from contracts with customers includes asset management, brokerage and other services revenue. Recognition of dividend income, disposal of investments is described below in the section of revenue recognition principles applied until 31 December 2017.

Revenue from the asset management and brokerage services

Revenue from asset management services is recognized as a percentage from asset under management during the period in which the control of the asset management services is transferred to the client, i.e. when services are provided. Asset management services are provided as long as the client has the investment in funds managed by the Group. Revenue from brokerage services is recognized at point in time when the control of the brokerage services is transferred to the client, i.e. when services are actual provided.

The Group assesses whether some asset management services are separate services provided to the customer (performance obligation), for example fund distribution. If the service is a separate service provided to the customer, its income is recognized when the service is actual provided. If it is not a separate service provided to the customer but part of the asset management service to manage funds, the recognition of the revenue is deferred and recognized over the average period of the client's contract. The Group appreciates that the distribution of the alternative funds for informed investors and the distribution of investment funds is separate service, as each fund is specialized, and the Group provides a separate identification service for the person or entity investing in such a fund, which includes elements of fund selection and application. Meanwhile, in the case of the distribution of Lithuanian pension funds, the Company assesses that the distribution is not a separate service, but a part of the asset management service, therefore, the revenue of the pension fund distribution fee is considered as a contractual obligation and recognized over the average term of the client contract - 10 years.

The Group earns variable remuneration - a success fee when the return of certain funds exceeds the expected return limit. Depending on the fund rules, the Group acquires the right to a success fee as soon as the fund's return exceeds the expected return limit or only at the end of the fund's life when the fund's assets are distributed. The Group recognizes the success fee as revenue when it acquires the right to a calculated success fee, but only to the extent that it is highly probable that a significant reversal in the amount of success fee recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

2 Summary of significant accounting policies (cont'd)

2.19 Revenue recognition and costs to obtain contract with customers (cont'd)

Accounting policy from 1 January 2018 (cont'd)

Costs to obtain contracts with customers

Costs to obtain contracts with customers are commissions paid to external intermediaries for distribution of pension funds. They are capitalised and presented in the statement of financial position within 'Intangible and costs to obtain contracts with customers assets'. The amortization period used for Costs to obtain contracts with customers is 10 years and is based on the average expected duration of the client's stay with the Group. Until 31 December 2017 costs are expensed.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Accounting policy applied until 31 December 2017

The Group and the Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below. The Group and the Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised.

Revenue from the asset management and brokerage services

Revenue from the asset management services is recognized in the income statement as a percentage from asset under management in the period it is attributable.

Success fees are recognised when received. Revenue from brokerage services is recognized when actual service is provided.

Disposal of investments

Gain (loss) from sale of investment is recognised when the significant risk and rewards of ownership of the investment have passed to the buyer and are recognised within operating activity, as the parent company treats the securities trading as its main activity.

Interest income

Income is recognised as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividends income

Income is recognised when the Group's and the Company's right to receive the payment is established.

2.20. Cash and non-cash distribution to equity holders of the parent

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. In Lithuania a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. The liability for non-cash distributions is measured at the fair value of the assets to be distributed with subsequent fair value re-measurement recognised directly in equity as adjustment to the amount of the distribution.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss.

2 Summary of significant accounting policies (cont'd)

2.21. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted by the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The standard income tax rate in Lithuania was 15 % in 2018 and in 2017. Starting from 2010, tax losses can be transferred within Lithuania at no consideration or in exchange for certain consideration between the group companies if certain conditions are met.

Deferred income taxes are calculated using the liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred income tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse based on tax rates enacted or substantially enacted at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:
- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

By Lithuanian Income Tax Law shall be not taxed sale of shares of an entity, registered or otherwise organised in a state of the European Economic Area or in a state with which a treaty for the avoidance of double taxation has been concluded and brought into effect and which is a payer of corporate income tax or an equivalent tax, to another entity or a natural person where the entity transferring the shares held more than 10% (until 31 December 2017 - 25%) of voting shares in that entity for an uninterrupted period of at least two years. If mentioned condition is met or will be met by judgement of the management of the Company, there are not recognised any deferred tax liabilities or assets in respect of temporary differences associated with these investments.

Deferred income tax asset has been recognised in the statement of financial position to the extent the management believes it will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred income tax asset is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements.

Deferred tax asset are not recognised:
- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

In Lithuania tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. In Lithuania such carrying forward is disrupted if the Company changes its activities due to which these losses incurred except when the Company does not continue its activities due to reasons which do not depend on the Company itself. In Lithuania the losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature. From 1 January 2014 current year taxable profit could be decreased by previous year tax losses only up to 70% in Lithuania.

From 1 January 2018 according to the new Corporate Income Tax Act of Latvia the annual profit would be not taxed. Corporate income tax would be paid on distributed profit, including conditional distributed profit as for example: expenditure not related to economic activities, some loans granted to related parties, some provisions for doubtful debts. The tax rate on (net) distributed profit would be 20/80. Until 31 December 2017 gains from the sale of shares are not taxed, and losses are not deductible in Latvia. From 1 January 2018 the tax base would be reduced by the gain on sale of shares, if the shares were held for an uninterrupted period of at least 36 months. The excess gain can be transferred and utilized in the future periods. The Group recognised from undistributed profit earned from 1 January 2018 deferred tax liability.

2 Summary of significant accounting policies (cont'd)

2.21 Current and deferred income tax (cont'd)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22. Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group and the Company expect some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liabilities recognised in a business combination (applicable as of 1 January 2010)
A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of:
- the amount that would be recognised in accordance with the general guidance for provisions above (IAS 37) or
- the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition (IFRS 15 or until 31 December 2017 - IAS 18).

2.23. Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Board of Directors that makes strategic decisions.

2.24. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are recognised in equity as a deduction, net of tax, from the retained earnings. Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

2 Summary of significant accounting policies (cont'd)

2.25. Employee benefits

Social security contributions

The Company and the Group pay social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. Social security contributions are recognised as expenses on an accrual basis and included in payroll expenses.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after reporting date are discounted to their present value.

Bonus plans

The Company and the Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Pension obligations

If there is an individual arrangement with an employee the Company and the Group may make payments into defined contribution pension plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

2.26. Share - based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognised as an employee benefits expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

2 Summary of significant accounting policies (cont'd)

2.26 Share - based payments (cont'd)

Share - based payments – modification and cancellation

If the terms of an equity-settled award are modified, at a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

If an equity award is cancelled by forfeiture, when the vesting conditions (other than market conditions) have not been met, any expense not yet recognised for that award, as at the date of forfeiture, is treated as if it had never been recognised. At the same time, any expense previously recognised on such cancelled equity awards are reversed from the accounts effective as at the date of forfeiture.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.27. Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable.

2.28. Events after the reporting period

Events after the reporting period that provide additional information about the Group's position as at the end of the reporting period (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

2.29. Significant accounting judgements and estimates

The preparation of financial statements requires management of the Group and the Company to make judgements and estimates that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities, at the end of reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2 Summary of significant accounting policies (cont'd)

2.29 Significant accounting judgements and estimates (cont'd)

Judgements

In the process of applying the Group accounting policies, management has made the following judgement, which has most significant effect on the amounts recognised in the consolidated financial statements:

Investment entity

According to the management, the Company meets all the defining criteria of an investment entity from the split-off in 2014 and henceforth investments in unconsolidated subsidiaries and associates are measured at fair value through profit or loss. The management periodically reviews whether the Company meets all the defining criteria of an investment entity. In addition, the management assesses the Company's operation objective, investment strategy, origin of income and fair value models.

The identification of customer of asset management entities

When the Group starts to manage the new fund, it decides on who is the client of the Group: the fund itself or its participant. This decision affects the accounting for the cost of concluding contracts with fund participants in accordance with IFRS 15. The Group has made the following decisions about who is the client of the funds it manages:

- In the case of Lithuanian pension funds, its client is each participants of the fund, because the Group manages the information of the fund participant and communicates directly with each participant of pension funds;
- In the case of investment funds, alternative funds and Latvian pension funds, the Group estimates that its client is a fund rather than a separate fund participant. This solution is based on the fact that these funds are distributed and relationships with fund investors are supported by intermediaries - usually financial brokerage firms or fund platforms. The Group usually has no contact with the investors of these funds and does not directly communicate with them. Often, the Group does not even have information about the end customers because it only accesses the compound account of the investors and not the individual accounts of the fund participants.

Absence of control over UAB Mundus

The 49% shares of UAB Mundus are owned by two key management personnel of entity. With them is signed shareholders agreement in November 2017. According to the agreement it is required consent of one of other shareholder to direct the relevant activities of the entity. In the agreement is not specified with which of other shareholder have to be agreed decisions regarding the relevant activities of the entity. Therefore, the Group has neither control nor joint control over entity and accounted the investment as associate at fair value, because the Company is investment entity.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The significant areas of estimation used in the preparation of these financial statements are discussed below.

Fair value of investments in subsidiaries and associates in financial statements

The fair values of investments in unconsolidated subsidiaries and associates are determined by using valuation techniques, primarily earnings multiples, discounted cash flows and recent comparable transactions. The models used to determine fair values are periodically reviewed and compared against historical results to ensure their reliability. Details of the inputs and valuation models used to determine Level 3 fair value, is provided in Note 13.

The fair value of the investments in unconsolidated subsidiaries and associates of the Group and the Company as at 31 December 2018 was EUR 10,144 thousand and EUR 22,745 thousand, respectively (as at 31 December 2017 - EUR 13,994 thousand and EUR 20,008 thousand, respectively) (described in more details in Note 13).

2 Summary of significant accounting policies (cont'd)

2.29 Significant accounting judgements and estimates (cont'd)

Estimates and assumptions (cont'd)

Useful lives of funds' management rights and amortisation period of costs to obtain contracts with customers

The useful lives of funds' management rights acquired through business combinations are disclosed in Note 2.6 and amortisation charge for the year is disclosed in Note 11. The useful lives are determined by management at the time the asset is acquired and reviewed on an annual basis for appropriateness. The lives are based on historical experiences with similar assets as well as anticipation of future events, which may impact their life. As at 31 December 2018 and 2017 the Group assessed that there is no impairment indication of funds' management rights. If the estimated useful lives of funds' management rights have been one year shorter, the amortisation charge for the year ended 31 December 2018 and 2017 would have increased by EUR 24 thousand.

Amortisation period of costs to obtain contracts with customers is 10 years, based on the average expected duration of the client's stay with the Group. If the estimated amortisation period of costs to obtain contracts with customers have been one year shorter, the amortisation charge for the year ended 31 December 2018 would have increased by EUR 18 thousand.

Deferred income tax assets

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and amount of future taxable profits together with future tax planning strategies.

Deferred income tax asset is recognized on individual company basis taking into account future performance plans of those companies. No deferred tax asset is recognized from Group's tax losses carry forward for indefinite period of time of EUR 5,255 thousand as 31 December 2018 (as at 31 December 2017 – EUR 4,707 thousand) due to future uncertainties related with the performance of those companies. As at 31 December 2017 the Company has not recognised deferred tax asset from EUR 2,152 thousand tax losses arising from disposal of securities arising from disposal of securities, as they mature in 2018. As at 31 December 2018 in the total deferred tax asset balance of the Group the amount of EUR 453 thousand (as at 31 December 2017 – EUR 588 thousand) relates to deferred income tax asset recognized from the taxable losses of the Company and EUR 744 thousand (as at 31 December 2017 – EUR 781 thousand) was recognized from the taxable losses of other Group's entities (Note 7). As at 31 December 2018 recognition of deferred income tax asset from the taxable losses of acquired asset management entities are supported on the estimation of these entities' profitability, which is based on the forecasted growth of managed funds and participants portfolio, on the level of management fees, on future funds return and number of participants. If the profitability estimation would be change by 5%, deferred income tax asset would be recognised by EUR 37 thousand more/less (as at 31 December 2017 – EUR 39 thousand).

Other areas involving estimates include useful lives of property, plant and equipment and allowances for accounts receivable. According to the management, these estimates do not have significant risk of causing a material adjustment.

3. Changes in accounting policies

Impact of IFRS 9

The business model of the Company and the Group is to manage investment into subsidiaries together with non-current loans granted to subsidiaries as one portfolio and evaluate their performance on a combined fair value basis. On this basis information on portfolio is provided to the Board of the Company. Therefore, the portfolio is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. Consequently, such portfolio of financial assets must be measured at fair value through profit or loss. Before adopting of IFRS 9 the Company and the Group has attributed investment into subsidiaries together with non-current loans granted to subsidiaries to 'Assets at fair value through profit or loss' and measured them also at fair value through profit or loss. The Group and the Company have measured investments into associates at fair value through profit or loss and retained that after adoption of new standard. Other financial investments into shares were attributed to 'Assets at fair value through profit or loss'. After adoption of IFRS 9 they have also to be measured at fair value through profit or loss. The Group and the Company have financial assets attributed to the categories of financial assets 'Loans and receivables' and 'Held to maturity' according to IAS 39. After adoption IFRS 9 these financial assets are measured at amortised cost as before as the business model for these assets is held to collect contractual cash flows and they are SPPI. Unquoted ordinary shares attributed to the categories available-for sale was measured at cost according to IAS 39. After adoption of IFRS 9 they are measured at fair value through profit or loss. The Group and the Company are estimated that fair value of this investment substantially does not differs from cost. As at 31 December 2017 the Group and the Company had only financial liabilities attributed to the category 'Other financial liabilities' according to IAS 39. After adoption of IFRS 9 they are measured at amortised cost as before. The changes in hedge accounting have no impact on the Group's and the Company's financial statements as the Group and the Company is not using hedging instruments.

The tables below presented reclassification of the Group's and the Company's financial assets as at 1 January 2018 as impact of adoption of IFRS 9:

The Group	**As at 31 December 2017**	**Reclassification of financial assets**	**As at 1 January 2018 restated**
Investments available-for-sale	494	(494)	-
Financial assets at fair value through profit or loss (non-current)	20,804	494	21,298
Financial assets at fair value through profit or loss (current)	2,976	-	2,976
Held to maturity	395	(395)	-
Other financial assets at amortised cost	-	395	395

The Company	**As at 31 December 2017**	**Reclassification of financial assets**	**As at 1 January 2018 restated**
Investments available-for-sale	494	(494)	-
Financial assets at fair value through profit or loss (non-current)	20,804	494	21,298
Financial assets at fair value through profit or loss (current)	1,560	-	1,560

Impact of IFRS 15

IFRS 15 '*Revenue from Contracts with Customers*' has affected the recognition of revenue from the distribution of third-pillar pension funds and the recognition of commission fees for intermediaries for the distribution of second and third pillar pension funds. The impact is described below.

Influence on the recognition and measurement of third-pillar pension funds distribution revenue

Applying IFRS 15, the Group has assessed whether the distribution of third pillar pension funds constitutes a separate execution obligation under IFRS 15 or whether it is a part of the funds management obligations. The Group has decided that the distribution of funds is a part of the funds management obligations, therefore, the Group has decided to defer recognition of the proceeds from the distribution of these funds and to recognize these proceeds as revenue over a period of 10 years (average expected period of the new client's stay with the Group). In the statement of financial position deferred revenue is classified within 'contract liabilities'. The cumulative effect of the first-time application of the new standard was calculated by measuring the data of the revenue from the distribution for the last 2 years (since the launch of distribution products with a distribution fee). The accounting policies are described in more detail in Note 2.19.

3 Changes in accounting policies (cont'd)

Impact of IFRS 15 (cont'd)

Influence on the recognition and measurement of commission fees for the distribution of pension funds

As the Group does not have its own intermediary network, it uses the services of external intermediaries to distribute second and third pillar pension funds. Commissions are paid for the conclusion of the contract. The commission fee is paid only when the contract is concluded, and the economic benefits are expected in the future. In the case of pension funds, each participant of the fund is valued as a client, because the Group communicates directly with each participant of pension funds. As a result, the Group considers the commission fee paid to intermediaries for the conclusion of the contracts with the new pension fund participants as the costs of to obtain contract with customers and, therefore, capitalizes and amortizes these costs over the average expected period of the new client's stay with the Group - 10 years. The amount of capitalized commission fee to intermediaries is recognized in the statement of financial position within 'Intangible and costs to obtain contracts with customers assets'. The cumulative effect of the new standard applied for the first time was calculated evaluating the data of the costs incurred due to commissions for the last 3 years (since the Group has acquired subsidiary, which incurred costs to obtain contracts with customers).

The Group chose the modified retrospective method to apply IFRS 15, recognizing the cumulative effect of applying this standard for the first time by adjusting retained earnings on the 1 January 2018, i.e. without recalculating previous reporting periods and applying this standard retrospectively only to those contracts that have not yet been settled on the 1 January 2018.

The effect of adopting IFRS 15 as at 1 January 2018 was in the Group, as follows (presented only item affected by adoption of IFRS 15):

Group	As at 31 December 2017	Cost to obtain contract with customers	Contract liabilities	As at 1 January 2018 restated
ASSETS				
Non-current assets				
Intangible and costs to obtain contracts with customers assets	3,514	1,211	-	4,725
Deferred income tax asset	625	(181)	12	456
Total non-current assets	**59,511**	**1,030**	**12**	**60,553**
TOTAL ASSETS	**67,024**	**1,030**	**12**	**68,066**
EQUITY AND LIABILITIES				
Equity				
Equity attributable to equity holders of the parent				
Retained earnings	44,702	1,030	(70)	45,662
Total equity	**63,996**	**1,030**	**(70)**	**64,956**
Liabilities				
Non-current liabilities				
Contract liabilities	-	-	74	74
Total non-current liabilities	**1,316**	**-**	**74**	**1,390**
Current liabilities				
Contract liabilities	-	-	8	8
Total current liabilities	**1,712**	**-**	**8**	**1,720**
Total liabilities	**3,028**	**-**	**82**	**3,110**
TOTAL EQUITY AND LIABILITIES	**67,024**	**1,030**	**12**	**68,066**

3 Changes in accounting policies (cont'd)

Impact of IFRS 15 (cont'd)

Because the impact of adoption IFRS 15 is derived from subsidiary UAB INVL Asset Management, as at 1 January 2018 on the Company level the impact of adoption IFRS 15 the investments into subsidiaries is increased by EUR 960 thousand till EUR 22,950 thousand (non-current assets increased from EUR 63,301 thousand till EUR 64,261 thousand, total assets increased from EUR 66,180 thousand till EUR 67,140 thousand) and retained earnings increased also by EUR 960 thousand till EUR 45,679 thousand (total equity increased from EUR 63,996 thousand till EUR 64,956 thousand).

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended 31 December 2018 as a result of the adoption of IFRS 15. The first column shows amounts prepared under IFRS 15 and the third column shows what the amounts would have been had IFRS 15 not been adopted:

Group, Consolidated statement of financial position	**As at 31 December 2018 applied IFRS 15**	**Impact of IFRS 15**	**As at 31 December 2018 without applying IFRS 15**
ASSETS			
Non-current assets			
Intangible and costs to obtain contracts with customers assets	4,862	(1,646)	3,216
Deferred income tax asset	476	132	608
Total non-current assets	**58,301**	**(1,514)**	**56,787**
TOTAL ASSETS	**68,616**	**(1,514)**	**67,102**
EQUITY AND LIABILITIES			
Retained earnings	45,552	(1,317)	44,235
Total equity	**65,504**	**(1,317)**	**64,187**
Liabilities			
Non-current liabilities			
Contract liabilities	175	(175)	-
Total non-current liabilities	**897**	**(175)**	**722**
Current liabilities			
Contract liabilities	22	(22)	-
Total current liabilities	**2,215**	**(22)**	**2,193**
Total liabilities	**3,112**	**(197)**	**2,915**
TOTAL EQUITY AND LIABILITIES	**68,616**	**(1,514)**	**67,102**

Company, Standalone statement of financial position	**As at 31 December 2018 applied IFRS 15**	**Impact of IFRS 15**	**As at 31 December 2018 without applying IFRS 15**
ASSETS			
Non-current assets			
Investments into subsidiaries	20,391	(1,317)	19,074
Total non-current assets	**59,278**	**(1,317)**	**57,961**
TOTAL ASSETS	**66,673**	**(1,317)**	**65,356**
EQUITY AND LIABILITIES			
Retained earnings	45,582	(1,317)	44,265
Total equity	**65,504**	**(1,317)**	**64,187**
TOTAL EQUITY AND LIABILITIES	**66,673**	**(1,317)**	**65,356**

3 Changes in accounting policies (cont'd)

Impact of IFRS 15 (cont'd)

Group, Consolidated income statement	**As at 31 December 2018 applied IFRS 15**	**Impact of IFRS 15**	**As at 31 December 2018 without applying IFRS 15**
Revenue from contracts with customers (2017- revenue)	7,428	77	7,505
Other income	8,686	38	8,724
Funds distribution fees	(405)	(596)	(1,001)
Amortisation of costs to obtain contracts with customers	(161)	161	-
Operating profit	**(296)**	**(320)**	**(616)**
Profit before income tax	**(296)**	**(320)**	**(616)**
Income tax expense	639	(37)	602
NET PROFIT FOR THE YEAR	**343**	**(357)**	**(14)**
Attributable to:			
Equity holders of the parent	343	(357)	(14)
Basic earnings per share (in EUR)	0.03	(0.03)	0.00
Diluted earnings per share (in EUR)	0.03	(0.03)	0.00

Revenue is increased by EUR 115 thousand, because revenue from funds distribution was deferred as impact of applying IFRS 15 as described above. EUR 38 thousand (the company revenue from accounting services to the related parties) is reclassified to other income as presented in the income statement until 31 December 2017. Funds distribution fees is increased by amount of capitalised costs to obtain contracts with customers and amortisation was reversed, respectively.

Company, Standalone income statement	**As at 31 December 2018 applied IFRS 15**	**Impact of IFRS 15**	**As at 31 December 2018 without applying IFRS 15**
Revenue from contracts with customers	38	(38)	-
Other income	8,631	38	8,669
Operating profit	**385**	**-**	**385**
Share of net (loss) profit of subsidiaries accounted for using the equity method	(681)	(357)	(1,038)
Profit before income tax	**(303)**	**(357)**	**(660)**
NET PROFIT FOR THE YEAR	**343**	**(357)**	**(14)**
Attributable to:			
Equity holders of the parent	343	(357)	(14)
Basic earnings per share (in EUR)	0.03	(0.03)	0.00
Diluted earnings per share (in EUR)	0.03	(0.03)	0.00

4. Business combinations, investments into associates, disposals

The movement of investments in associates was as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
At 1 January	**20,008**	**23,554**	**20,008**	**23,554**
Acquisition of associate	-	-	-	-
Acquisition of additional shares in associate	369	16	104	16
Disposal of associate	(57)	-	(57)	-
Reclassification to subsidiaries due to disposals of associate*	-	(9,428)	-	(9,428)
Changes in fair value	2,425	5,866	2,444	5,866
At 31 December	**22,745**	**20,008**	**22,499**	**20,008**

*In 2017 the Group has sold trading business and grain elevator network of associate UAB Litagra for cash that remained in the unconsolidated subsidiary UAB Cedus Invest. Therefore, the realised value of investment was attributed to unconsolidated subsidiary and reclassified from investments in associates.

The movement of investments in subsidiaries of the Company was as follows:

	Company	
	2018	**2017**
At 1 January	**21,990**	**12,962**
Changes in accounting policy (impact of IFRS 15)	960	-
Share of net profit (loss) of subsidiaries accounted for using equity method	(681)	596
Establishment of subsidiaries and increase of share capital	7,372	217
Disposals	-	-
Dividends	(468)	(394)
Share-based payments	190	73
Reclassification from associates to subsidiaries due to disposals (see above)	-	9,428
Loans granted/repaid, net	392	165
Interest charged	45	37
Changes in fair value	(7,019)	(1,094)
Decreased share capital (free funds returned)	(2,390)	-
At 31 December	**20,391**	**21,990**
At equity method	10,247	7,996
At fair value – shares and convertible bonds	9,626	13,047
At fair value - loans granted	518	947

4 Business combinations, investments into associates, disposals (cont'd)

The movement of investments in unconsolidated subsidiaries of the Group was as follows:

	Group	
	2018	**2017**
At 1 January	**13,994**	**5,449**
Loans granted/repaid, net	392	165
Interest charged	45	37
Reclassification from associates to subsidiaries due to disposals (see above)	-	9,428
Establishment of subsidiaries and increase of share capital	4,732	9
Decreased share capital (free funds returned)	(2,000)	-
Changes in fair value	(7,019)	(1,094)
At 31 December	**10,144**	**13,994**
Shares, convertible bonds	9,626	13,047
Loans granted	518	947

Acquisitions in 2018 and 2017

Analysis of cash flows on acquisition:

	2018	**2017**
Consideration paid in cash on acquisition of consolidated subsidiaries	-	(103)
Cash acquired with the consolidated subsidiary	-	43
Consideration paid in cash on acquisition or share capital increase of unconsolidated subsidiaries	(4,732)	(8)
Acquisition of subsidiaries, net of cash acquired	**(4,732)**	**(68)**

Acquisition of AS INVL Atklātais Pensiju Fonds in 2017

In July 2017 the Group has acquired 100% shares of AS INVL Atklātais Pensiju Fonds for EUR 103 thousand (all amount paid in cash). Acquired entity operates in Latvia and manages six 3rd pillar pension funds. As of 31 December 2017 the entity managed EUR 1.2 million of assets. The assets and liabilities, profit or loss from the acquired business was included into the Group results from 1 August 2017. In the reporting period of 2017 EUR 8 thousand of revenue and EUR 16 thousand of loss from the acquired business were included into the Group results. By Latvian law asset management entities, which manage 3rd pillar pension funds, have to return to the managed funds all earned profit in excess of previous years suffered losses. Therefore, the fair value of managed funds is equal to nil and the Group has recognized loss amounting to the excess of paid consideration over identifiable net assets.

The fair values of the identifiable assets and liabilities of AS INVL Atklātais Pensiju Fonds were:

	Fair values recognised on acquisition
Intangible assets	5
Trade and other receivables	2
Cash and cash equivalents	43
Total assets	**50**
Current liabilities	(5)
Total liabilities	**(5)**
Total identifiable net assets	**45**
Loss on acquisition of subsidiaries	**58**
Total consideration transferred	**103**

4 Business combinations, investments into associates, disposals (cont'd)

Acquisitions in 2018 and 2017 (cont'd)

Establishment of companies (increase or decrease of share capital) in 2018 and 2017

In May 2018 the Company has additional invested EUR 522 thousand into the share capital of UAB INVL Asset Management. In December 2018 the Company has additionally invested EUR 2,320 thousand into the share capital of UAB INVL Asset Management to ensure that the capital adequacy ratio of the asset management entity complies with the requirements of the Bank of Lithuania. The Company has paid EUR 503 thousand by cash instalments and has transferred shares of AB Šiaulių Bankas for EUR 1,817 thousand to UAB INVL Asset Management. According to the law, the listed shares are evaluated as last six months market price average. According to the accounting policy, the listed shares are measured on quoted market prices at the close of trading, which is the date closest to the reporting date. Therefore, according to accounting policy the fair value of transferred shares is EUR 1,616 thousand.

In May 2018 the Company has established UAB MD Partners by investing EUR 3 thousand. The entity has owned 37.5% of Heim Partners Limited shares (other shareholders is the European Bank for Reconstruction and Development (37.5% of shares) and subsidiary of fund managed by Ukrainian private equity manager Horizon Capital (25% of shares)). On 22 June 2018 Heim Partners Limited signed a Pre-Contract with the Moldovan Agency for Public Property regarding the participation in the auction to acquire a stake of 41.09% in the largest Moldovan bank Moldova-Agroindbank (MAIB). In September 2018 the Company has acquired convertible bonds of UAB MD Partners for EUR 4,723 thousand. UAB MD Partners has invested EUR 8,835 thousand into share capital of Heim Partners Limited. On 2 October 2018 Heim Partners Limited won the auction to acquire 41.09% of shares of MAIB for 451.533 million Moldovan lei (EUR 23.031 million).

In September 2018 and December 2018 the Company has established and invested EUR 304 thousand into the share capital of UAB BSGF Sanus and UAB BSGF Fortis. Entities are established for the benefit of a closed-end private equity fund INVL Baltic Sea Growth Fund and in February 2019 they are sold to the fund for price, equalled to investment amount.

In December 2018 the Company has additionally invested EUR 319 thousand into share capital of UAB Kelio ženklai by converting loans granted.

In July 2018 the share capital of UAB Cedus Invest and UAB Invalda INVL Investments was decreased by EUR 2,000 thousand and EUR 390 thousand, respectively. EUR 390 thousand receivable was set-off with borrowings from UAB Invalda INVL Investments.

In January 2017 the Group's unconsolidated subsidiary investing in facility management segment's entities has established SIA Inservis in Latvia by investing EUR 3 thousand. SIA Inservis will provide facility management services in Latvia.

In March 2017 the Company has additional invested EUR 209 thousand into the share capital of UAB INVL Asset Management.

In 2017 the Company has additional invested EUR 8 thousand into the share capital of three dormant entities (UAB Cedus, UAB RPNG and UAB Consult Invalda).

Acquisition of associates in 2018 and 2017

During 2018 the Company has additionally acquired shares of INVL Baltic Real Estate for EUR 104 thousand on the stock exchange.

During 2017 the Company has additionally acquired shares of INVL Baltic Real Estate for EUR 16 thousand on the stock exchange.

In 2018 and 2017 the unconsolidated subsidiary investing in facility management segment's entities has received dividends of EUR 333 thousand and EUR 28 thousand from in 2016 acquired entity UAB Informacinio Verslo Paslaugų Įmonė, respectively.

4 Business combinations, investments into associates, disposals (cont'd)

Acquisition of associates in 2018 and 2017 (cont'd)

Acquisition of UAB Mundus

On 2 February 2018 the Group has acquired 51% shares of UAB Mundus for EUR 265 thousand (all amount would be paid in cash, contingent consideration is amounted to EUR 77 thousand). Until the end of reporting period EUR 188 thousand was paid. At the end of reporting period was not satisfied one of condition of contingent consideration and, therefore, the obligation to pay part of contingent consideration is lapsed. Therefore, the Group has recognised gain from changes in fair value of contingent consideration of EUR 25 thousand in the income statement within "Net changes in fair value of financial instruments at fair value through profit or loss". The acquiree operates in Lithuania and has managed one investment fund, which invest into private debt investments of fast growing alternative finance companies. As of 31 December 2017 the entity managed EUR 13.7 million of assets. The 49% shares of UAB Mundus are owned by two key management personnel of entity. With them is signed shareholders agreement in November 2017. According to the agreement it is required consent of one of other shareholder to direct the relevant activities of the entity. In the agreement is not specified with which of other shareholder have to be agreed decisions regarding the relevant activities of the entity. Therefore, the Group has neither control nor joint control over entity and accounted the investment as associate at fair value, because the Company is investment entity.

Disposals of subsidiaries in 2018 and 2017

There were no disposals of subsidiaries in 2018 and 2017.

Disposals of associates in 2018 and 2017

From 2 May 2018 till 13 December 2018 the Company publicly offered to buy shares of INVL Baltic Real Estate in accordance with the approved Prospectus. During 2018 the shares in accordance with the Prospectus were sold for EUR 57 thousand.

On 1 March 2017 the Group and other shareholders of UAB Litagra had signed share purchase – sale agreement with UAB koncernas Achemos Grupė regarding sale of trading business and grain elevators network of the group of UAB Litagra. The disposal was completed on 15 December 2017 and the unconsolidated subsidiary UAB Cedus Invest had received EUR 9,427 thousand in cash. The group of UAB Litagra are continuing to run its primary farming production business – companies in Lithuania that cultivate more than 9,000 hectares of land and the feed manufacturer UAB Joniškio Grūdai. The previous owners retain the name "Litagra", though the disposed companies are able to use it until 2019. In December 2017 unconsolidated subsidiary had invested received cash to managed investment fund INVL Emerging Europe Bond Subfund (EUR 8,500 thousand) and had granted loan of EUR 800 thousand to INVL Baltic Real Estate. The loan was repaid in April 2018.

5. Segment information

The Board of Directors monitors the operating results of the business units of the Group separately for the purpose of making decisions about resource allocations and performance assessment. After becoming investment entity the performance of segments excluding asset management segment is evaluated based on changes in fair value of investments, including dividends income received by the Company. Asset management segment's performance is evaluated based on net profit or loss. Group financing (including finance costs and finance income) and income taxes are allocated between segments as they are identified on basis of separate legal entities. Consolidation adjustments and eliminations are not allocated on a segment basis. Segment assets are measured in a manner consistent with that of the financial statements. All assets are allocated between segments, because segments are identified on a basis of separate legal entities. The granted loans by the Company are allocated to segment's, to which entities they are granted, assets. The impairment losses of these loans are allocated to a segment to which the loan was granted initially.

For management purposes, the Group is organised into following operating segments based on their products and services:

Asset management

The asset management segment includes pension, investment funds, private equity, alternative investments and portfolio management, financial brokerage and land administration services.

Agriculture

Agricultural activities include the primary crop and livestock (milk) production, feed production and grain processing and agricultural services. Until the disposal of trading business and grain elevators network the segment's companies have sold plant protection products, fertilizers, seeds, compound feed, feed supplements, veterinary products, have bought grain, provided grain and other raw materials drying, cleaning, handling and storage services.

5 Segment information (cont'd)

Facility management

The facility management segment includes facility management of dwelling-houses, commercial and public real estate properties.

Real estate

The real estate segment is investing in investment properties held for future development and in commercial real estate and its rent.

All other segments

All other segments are involved in road signs production, wood manufacturing. The Group also presents investment, financing and management activities of the holding company in this column, as these are not analysed separately by the Board of Directors.

Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in column 'Inter-segment transactions and consolidation adjustments'. Capital expenditure consists of additions to property, plant and equipment, intangible assets and investment properties including assets from the acquisition of subsidiaries.

The following table presents measurement of segments results on the basis of changes in fair value:

	Agriculture	Facility management	Real estate	All other segments	Total
Year ended 31 December 2018					
Net changes in fair value on financial assets	2,251	417	193	(10,407)	(7,546)
Total changes in fair value	**2,251**	**417**	**193**	**(10,407)**	**(7,546)**
Year ended 31 December 2017					
Net changes in fair value on financial assets	4,029	(905)	1,837	6,548	11,509
Total changes in fair value	**4,029**	**(905)**	**1,837**	**6,548**	**11,509**

5 Segment information (cont'd)

The following table presents revenues, profit (loss) and certain assets and liabilities information regarding the Group's business segments for the year ended 31 December 2018:

	Asset management	Agriculture	Facility management	Real estate	All other segments	Inter-segment transactions and consolidation adjustments	Total
Year ended 31 December 2018							
Revenue							
Sales to external customers	7,391	-	-	-	37	-	7,428
Inter-segment sales	2	-	-	-	1	(3)	-
Total revenue	**7,393**	**-**	**-**	**-**	**38**	**(3)**	**7,428**
Results							
Net changes in fair value of financial assets	47	2,251	417	193	(10,407)	-	(7,499)
Interest income	4	-	-	-	49	-	53
Other income	50	-	535	551	7,497	-	8,633
Employee benefits expense	(4,533)	-	-	-	(431)	-	(4,964)
Depreciation and amortization	(510)	-	-	-	(3)	-	(513)
Impairment, write-down, allowances and provisions	1	-	-	-	(139)	-	(138)
Interest expenses	-	-	-	-	-	-	-
Other expenses	(3,132)	-	-	-	(167)	3	(3,296)
Profit (loss) before income tax	(680)	2,251	952	744	(3,563)	-	(296)
Income tax credit (expenses)	(6)	-	-	-	645	-	639
Net profit (loss) for the year	**(686)**	**2,251**	**952**	**744**	**(2,918)**	**-**	**343**
Attributable to:							
Equity holders of the parent	(686)	2,251	952	744	(2,918)	-	343
Non-controlling interest	-	-	-	-	-	-	-
As at 31 December 2018							
Assets and liabilities							
Segment assets	11,928	-	3,996	-	29,966	(19)	45,871
Investment in associates	246	12,223	-	10,276	-	-	22,745
Total assets	**12,174**	**12,223**	**3,996**	**10,276**	**29,966**	**(19)**	**68,616**
Segment liabilities	**1,942**	**-**	**-**	**-**	**1,189**	**(19)**	**3,112**
Other segment information							
Capital expenditure:							
• Property, plant and equipment	186	-	-	-	1	-	187
• Intangible assets	12	-	-	-	-	-	12

5 Segment information (cont'd)

The following table presents revenues, profit (loss) and certain assets and liabilities information regarding the Group's business segments for the year ended 31 December 2017:

	Asset management	Agriculture	Facility management	Real estate	All other segments	Inter-segment transactions and consolidation adjustments	Total
Year ended 31 December 2017							
Revenue							
Sales to external customers	7,094	-	-	-	-	-	7,094
Inter-segment sales	-	-	-	-	-	-	-
Total revenue	**7,094**	**-**	**-**	**-**	**-**	**-**	**7,094**
Results							
Net changes in fair value of financial assets	43	4,029	(905)	1,837	6,548	-	11,552
Interest income	8	-	-	-	49	-	57
Other income	12	280	365	253	249	(1)	1,158
Employee benefits expense	(3,333)	-	-	-	(368)	-	(3,701)
Depreciation and amortization	(334)	-	-	-	(4)	-	(338)
Impairment, write-down, allowances and provisions	4	-	-	-	-	-	4
Interest expenses	(3)	-	-	-	-	-	(3)
Other expenses	(3,012)	-	-	-	(168)	1	(3,179)
Profit (loss) before income tax	479	4,309	(540)	2,090	6,306	-	12,644
Income tax credit (expenses)	107	-	-	-	(1,444)	-	(1,337)
Net profit (loss) for the year	**586**	**4,309**	**(540)**	**2,090**	**4,862**	**-**	**11,307**
Attributable to:							
Equity holders of the parent	586	4,309	(540)	2,090	4,862	-	11,307
Non-controlling interest	-	-	-	-	-	-	-
As at 31 December 2017							
Assets and liabilities							
Segment assets	8,866	-	3,579	-	34,599	(28)	47,016
Investment in associates	-	9,972	-	10,036	-	-	20,008
Total assets	**8,866**	**9,972**	**3,579**	**10,036**	**34,599**	**(28)**	**67,024**
Segment liabilities	**1,279**	**-**	**-**	**-**	**1,777**	**(28)**	**3,028**
Other segment information							
Capital expenditure:							
• Property, plant and equipment	33	-	-	-	2	-	35
• Intangible assets	68	-	-	-	-	-	68

5 Segment information (cont'd)

In 2018 employee benefits expense of the Group included EUR 1,314 thousand social security contribution paid by employer (2017: EUR 744 thousand) and EUR 295 thousand social security contribution paid by employee (2017: EUR 248 thousand). In 2018 employee benefits expense of the Company included EUR 92 thousand social security contribution paid by employer (2017: EUR 77 thousand) and EUR 28 thousand social security contribution paid by employee (2017: EUR 23 thousand).

In 2017 all Group's revenue was earned from services of asset management segment. In 2018 to revenue from contracts from customers was attributed also revenue from accounting services to related parties rendered by the Company.

Analysis of revenue by timing of revenue recognition for 2018:

	Group	Company
Revenue recognised over time	6,657	38
Revenue recognised at a point in time	771	-
Total revenue	**7,428**	**38**

The Company is domiciled in the Lithuania and the Group operates in Lithuania and Latvia. The result of Group's revenue from external customers in the Lithuania is EUR 6,888 thousand (2017: EUR 6,014 thousand), and the total of revenue from external customers from Latvia is EUR 540 thousand (2017: EUR 1,080 thousand).

The table below presents distribution of the Group non-current assets (other than financial instruments and deferred tax assets) by geographical area as at 31 December 2018 and 2017:

	Lithuania	Latvia	Total
As at 31 December 2018	4,611	468	5,079
As at 31 December 2017	3,036	550	3,586

6. Other income and expenses

6.1. Net changes in fair value on financial instruments

	Group		Company	
	2018	**2017**	**2018**	**2017**
Net gain (loss) from changes in fair value of subsidiaries and associates	(4,595)	4,772	(4,575)	4,772
Net gain (loss) from financial assets at fair value through profit or loss (except held for trading)	(3,341)	6,180	(3,383)	6,137
Net gain (loss) from financial assets held for trading	412	600	412	600
Net gain (loss) from financial liabilities at fair value through profit or loss	25	-	-	-
Net gain (loss) from financial instruments at fair value through profit or loss, total	*(7,499)*	*11,552*	*(7,546)*	*11,509*

6.2. Other income

	Group		Company	
	2018	**2017**	**2018**	**2017**
Interest income from financial assets at amortised cost	4	1	-	-
Interest income from financial assets at fair value through profit or loss	49	56	49	49
Dividend income	8,617	1,115	8,574	1,115
Other income	16	43	8	32
	8,686	1,215	8,631	1,196

6.3. Other expenses

	Group		Company	
	2018	**2017**	**2018**	**2017**
Vehicles maintenance costs	(190)	(154)	(1)	(1)
Repairs and maintenance cost of premises	(60)	(44)	(1)	(2)
Taxes	(411)	(249)	(17)	(22)
Professional services	(189)	(193)	(16)	(41)
Fees for securities	(341)	(323)	(24)	(22)
Other expenses	(486)	(397)	(65)	(41)
	(1,677)	(1,360)	(124)	(129)

7. Income tax

	Group		Company	
	2018	**2017**	**2018**	**2017**
Components of the income tax expense				
Current year income tax	(1)	(49)	(1)	-
Prior year current income tax correction	-	(1)	-	-
Changes in Latvian Income Tax Law	-	75	-	-
Deferred income tax expense	640	(1,362)	647	(1,443)
Income tax income (expense) charged to the income statement – total	639	(1,337)	646	(1,443)

There is no income tax expense recognised in other comprehensive income in 2018 and 2017.

Deferred income tax asset and liability were estimated at 15% rate in Lithuania as at 31 December 2018.

The movement in deferred income tax assets and liabilities of the Group during 2018 is as follows:

	Balance as at 31 December 2017	Recognised in the income statement	Recognised in the equity (impact of IFRS 15)	Transfer of tax losses	Balance as at 31 December 2018
Deferred tax asset					
Tax loss carry forward for indefinite period of time	1,676	114	-	(26)	1,764
Tax loss carry forward till 2019 – 2022	722	(501)	-	-	221
Receivables	2	(1)	-	-	1
Investments at fair value through profit or loss	-	36	-	-	36
Accruals	23	(20)	-	-	3
Intangible assets	2	(2)	-	-	-
Contract liabilities	-	17	12	-	29
Deferred tax asset available for recognition	2,425	(357)	12	(26)	2,054
Less: unrecognised deferred tax asset from tax losses carried forward for indefinite period of time	(706)	(82)	-	-	(788)
Less: unrecognised deferred tax asset from tax losses carried forward till 2019 – 2022	(323)	323	-	-	-
Less: unrecognised deferred tax asset due to future uncertainties	-	(30)	-	-	(30)
Recognised deferred income tax asset, net	1,396	(146)	12	(26)	1,236
Asset netted with liability of the same legal entities	(771)	(3)	(12)	26	(760)
Deferred income tax asset, net	**625**	**(149)**	**-**	**-**	**476**
Deferred tax liability					
Intangible assets	(176)	13	-	-	(163)
Investments at fair value through profit or loss	(1,911)	762	-	-	(1,149)
Undistributed profits of subsidiaries	-	(9)	-	-	(9)
Costs to obtain contacts with customers	-	20	(181)	-	(161)
Deferred income tax liability	(2,087)	786	(181)	-	(1,482)
Liability netted with asset of the same legal entities	771	3	12	(26)	760
Deferred income tax liability, net	**(1,316)**	**789**	**(169)**	**(26)**	**(722)**
Deferred income tax, net	**(691)**	**640**	**(169)**	**(26)**	**(246)**

7 Income tax (cont'd)

Deferred income tax asset and liability were estimated at 15% rate in Lithuania and 0% rate in Latvia as at 31 December 2017.

The movement in deferred income tax assets and liabilities of the Group during 2017 is as follows:

	Balance as at 31 December 2016	Recognised in the income statement	Transfer of tax losses	Changes in Latvian Income Tax Law	Balance as at 31 December 2017
Deferred tax asset					
Tax loss carry forward for indefinite period of time	1,779	(3)	(100)	-	1,676
Tax loss carry forward till 2018 – 2021	1,883	(1,161)	-	-	722
Receivables	2	-	-	-	2
Accruals	24	4	-	(5)	23
Intangible assets	41	(39)	-	-	2
Deferred tax asset available for recognition	3,729	(1,199)	(100)	(5)	2,425
Less: unrecognised deferred tax asset from tax losses carried forward for indefinite period of time	(869)	163	-	-	(706)
Less: unrecognised deferred tax asset from tax losses carried forward till 2018 – 2021	(942)	619	-	-	(323)
Recognised deferred income tax asset, net	1,918	(417)	(100)	(5)	1,396
Asset netted with liability of the same legal entities	(1,140)	364	-	5	(771)
Deferred income tax asset, net	**778**	**(53)**	**(100)**	**-**	**625**
Deferred tax liability					
Property, plant and equipment	(1)	-	-	1	-
Intangible assets	(279)	24	-	79	(176)
Investments at fair value through profit or loss	(895)	(1,016)	-	-	(1,911)
Investments to associates	(47)	47	-	-	-
Deferred income tax liability	(1,222)	(945)	-	80	(2,087)
Liability netted with asset of the same legal entities	1,140	(364)	-	(5)	771
Deferred income tax liability, net	**(82)**	**(1,309)**	**-**	**75**	**(1,316)**
Deferred income tax, net	**696**	**(1,362)**	**(100)**	**75**	**(691)**

7 Income tax (cont'd)

The movement in deferred income tax assets and liabilities of the Company during 2018 is as follows:

	Balance as at 31 December 2017	Recognised in the income statement	Transfer of tax losses	Balance as at 31 December 2018
Deferred tax asset				
Tax loss carry forward for indefinite period of time	189	69	(26)	232
Tax loss carry forward till 2019 - 2022	722	(501)	-	221
Accruals	1	(1)	-	-
Deferred tax asset available for recognition	912	(433)	(26)	453
Less: unrecognised deferred tax asset from tax losses carried forward till 2019 – 2022	(323)	323	-	-
Recognised deferred income tax asset, net	589	(110)	(26)	453
Asset netted with liability of the same legal entities	(589)	110	26	(453)
Deferred income tax asset, net	**-**	**-**	**-**	**-**
Deferred tax liability				
Investments at fair value through profit or loss	(1,905)	757	-	(1,148)
Deferred income tax liability	**(1,905)**	**757**	**-**	**(1,148)**
Liability netted with asset of the same legal entities	**589**	**(110)**	**(26)**	**453**
Deferred income tax liability, net	**(1,316)**	**647**	**(26)**	**(695)**
Deferred income tax, net	**(1,316)**	**647**	**(26)**	**(695)**

The movement in deferred income tax assets and liabilities of the Company during 2017 is as follows:

	Balance as at 31 December 2016	Recognised in the income statement	Transfer of tax losses	Balance as at 31 December 2017
Deferred tax asset				
Tax loss carry forward for indefinite period of time	164	62	(37)	189
Tax loss carry forward till 2018 - 2021	1,883	(1,161)	-	722
Accruals	1	-	-	1
Deferred tax asset available for recognition	2,048	(1,099)	(37)	912
Less: unrecognised deferred tax asset from tax losses carried forward till 2018 – 2021	(942)	619	-	(323)
Recognised deferred income tax asset, net	1,106	(480)	(37)	589
Asset netted with liability of the same legal entities	(942)	316	37	(589)
Deferred income tax asset, net	**164**	**(164)**	**-**	**-**
Deferred tax liability				
Investments at fair value through profit or loss	(895)	(1,010)	-	(1,905)
Investments into subsidiaries/associates	(47)	47	-	-
Deferred income tax liability	**(942)**	**(963)**	**-**	**(1,905)**
Liability netted with asset of the same legal entities	**942**	**(316)**	**(37)**	**589**
Deferred income tax liability, net	**-**	**(1,279)**	**(37)**	**(1,316)**
Deferred income tax, net	**164**	**(1,443)**	**(37)**	**(1,316)**

7 Income tax (cont'd)

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
Deferred tax assets				
Deferred tax assets to be recovered after more than 12 months	475	624	-	-
Deferred tax assets to be recovered within 12 months	1	1	-	-
	476	625	-	-
Deferred tax liabilities				
Deferred tax liability to be recovered after more than 12 months	722	1,316	695	1,316
Deferred tax liability to be recovered within 12 months	-	-	-	-
	722	1,316	695	1,316

The reconciliation of the total income tax to the theoretical amount that would arise using the tax rate of the Group and the Company is as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
Profit before income tax	**(296)**	**12,644**	**(303)**	**12,750**
Tax calculated at the tax rate of 15 %	44	(1,897)	45	(1,913)
Tax non-deductible (expenses) / non-taxable income	590	566	482	690
Deferred tax expenses arising from write-down, or reversal of a previous write-down, of deferred tax asset due to changes in probability to utilise it	(124)	(85)	(12)	(220)
Prior year current income tax correction	-	(1)	-	-
The amount of benefit arising from previously unrecognised tax loss of a prior period that is used to reduce current tax expense	132	-	132	-
Changes in Latvian Income Tax Law	-	75		-
Other	(3)	5	(1)	-
Income tax credit (expenses) recorded in the income statement	639	(1,337)	646	(1,443)

8. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of shares for 2018 and 2017 was as follows:

Calculation of weighted average for the year 2017	**Number of shares (thousand)**	**Par value (EUR)**	**Issued/365 (days)**	**Weighted average (thousand)**
Shares issued as at 31 December 2017	11,564	0.29	365/365	11,564
Own shares acquired as at 23 May 2018	(4)	0.29	222/365	(2)
Shares issued as at 31 December 2018	11,560	0.29	-	11,562

Calculation of weighted average for the year 2017	**Number of shares (thousand)**	**Par value (EUR)**	**Issued/366 (days)**	**Weighted average (thousand)**
Shares issued as at 31 December 2016	11,587	0.29	365/365	11,587
Own shares acquired as at 22 May 2017	(23)	0.29	223/365	(14)
Shares issued as at 31 December 2017	11,564	0.29	-	11,573

The following table reflects the income and share data used in the basic earnings per share computations:

	Group		**Company**	
	2018	**2017**	**2018**	**2017**
Net profit, attributable to the equity holders of the parent	343	11,307	343	11,307
Weighted average number of ordinary shares (thousand)	11,562	11,573	11,562	11,573
Basic earnings per share (EUR)	0.03	0.98	0.03	0.98

The following table reflects the share data used in the diluted earnings per share computations in 2018:

	Number of shares (thousand)	**Issued/365 (days)**	**Weighted average (thousand)**
Weighted average number of ordinary shares for basic earnings per share	-	-	11,562
Potential dilutive shares from share-based payment (granted on 2 May 2016)	43	365/365	43
Potential dilutive shares from share-based payment (granted on 3 May 2017)	11	365/365	11
Potential dilutive shares from share-based payment (granted on 16 May 2017)	52	365/365	52
Potential dilutive shares from share-based payment (granted on 03 May 2018)	48	242/365	32
Weighted average number of ordinary shares for diluted earnings per share	-	-	11,699

The following table reflects the share data used in the diluted earnings per share computations in 2017:

	Number of shares (thousand)	**Issued/365 (days)**	**Weighted average (thousand)**
Weighted average number of ordinary shares for basic earnings per share	-	-	11,573
Potential dilutive shares from share-based payment (granted on 2 May 2016)	41	365/365	41
Potential dilutive shares from share-based payment (granted on 3 May 2017)	11	242/365	7
Potential dilutive shares from share-based payment (granted on 16 May 2017)	52	229/365	33
Weighted average number of ordinary shares for diluted earnings per share	-	-	11,654

8 Earnings per share (cont'd)

The following table reflects the income data used in the diluted earnings per share computations in 2018 and 2017:

	Group		Company	
	2018	**2017**	**2018**	**2017**
Net profit, attributable to the equity holders of the parent	343	11,307	343	11,307
Weighted average number of ordinary and potential shares (thousand)	11,699	11,654	11,699	11,654
Diluted earnings per share (EUR)	0.03	0.97	0.03	0.97

9. Dividends per share

In 2018 and 2017 dividends were not declared.

Changes in liabilities arising from financing activities (dividends) are presented in the table below:

	Group/Company
	Dividends payable
As at 31 December 2016	**383**
Dividends paid to equity holders of the parent	(11)
Approved dividends	-
As at 31 December 2017	**372**
Dividends paid to equity holders of the parent	(6)
Approved dividends	-
As at 31 December 2018	**366**

10. Property, plant and equipment

Group	**Vehicles**	**Other property, plant and equipment**	**Total**
Cost:			
Balance as at 31 December 2016	4	194	198
Additions	-	35	35
Disposals and write-offs	-	(1)	(1)
Balance as at 31 December 2017	4	228	232
Additions	-	187	187
Disposals and write-offs	-	(1)	(1)
Balance as at 31 December 2018	4	414	418
Accumulated depreciation:			
Balance as at 31 December 2016	1	125	126
Charge for the year	1	34	35
Disposals and write-offs	-	(1)	(1)
Balance as at 31 December 2017	2	158	160
Charge for the year	1	41	42
Disposals and write-offs	-	(1)	(1)
Balance as at 31 December 2018	3	198	201
Net book value as at 31 December 2017	**2**	**70**	**72**
Net book value as at 31 December 2018	**1**	**216**	**217**

10 Property, plant and equipment (cont'd)

Company	**Other property, plant and equipment**	**Total**
Cost:		
Balance as at 31 December 2016	92	92
Additions	1	1
Disposals and write-offs	-	-
Balance as at 31 December 2017	93	93
Additions	1	1
Disposals and write-offs	-	-
Balance as at 31 December 2018	94	94
Accumulated depreciation:		
Balance as at 31 December 2016	90	90
Charge for the year	1	1
Disposals and write-offs	-	-
Balance as at 31 December 2017	91	91
Charge for the year	1	1
Disposals and write-offs	-	-
Balance as at 31 December 2018	92	92
Net book value as at 31 December 2017	**2**	**2**
Net book value as at 31 December 2018	**2**	**2**

The depreciation charge of the Group's and the Company's property, plant and equipment for the year 2018 amounts to EUR 42 thousand and EUR 1 thousand, respectively (in the year 2017 EUR 35 thousand and EUR 1 thousand, respectively). Any property, plant and equipment of the Group and the Company as at 31 December 2018 and 2017 was not have any encumbrance.

11. Intangible and costs to obtain contracts with customers assets

As at 31 December 2018 this item of statement of financial position comprise:

Group	**As at 31 December 2018**
Intangible assets	3,216
Costs to obtain contracts with customers assets	1,646
Total	**4,862**

11 Intangible and costs to obtain contracts with customers assets (cont'd)

Intangible assets

Movement in the account of intangible assets is presented below:

Group	Goodwill	Funds' management rights	Software and other intangible assets	Total
Cost:				
Balance as at 31 December 2016	90	4,257	56	4,403
Additions	-	63	-	63
Acquisition of subsidiaries	-	-	5	5
Disposals and write-offs	-	-	-	-
Balance as at 31 December 2017	90	4,320	61	4,471
Additions	-	-	12	12
Acquisition of subsidiaries	-	-	-	-
Disposals and write-offs	-	-	-	-
Balance as at 31 December 2018	90	4,320	73	4,483
Accumulated amortisation:				
Balance as at 31 December 2016	-	621	33	654
Charge for the year	-	291	12	303
Disposals and write-offs	-	-	-	-
Balance as at 31 December 2017	-	912	45	957
Charge for the year	-	298	12	310
Disposals and write-offs	-	-	-	
Balance as at 31 December 2018	-	1,210	57	1,267
Net book value as at 31 December 2017	**90**	**3,408**	**16**	**3,514**
Net book value as at 31 December 2018	**90**	**3,110**	**16**	**3,216**

Company	Software	Total
Cost:		
Balance as at 31 December 2016	29	29
Additions	-	-
Disposals and write-offs	-	-
Balance as at 31 December 2017	29	29
Additions	-	-
Disposals and write-offs	-	-
Balance as at 31 December 2018	29	29
Accumulated amortisation:		
Balance as at 31 December 2016	23	23
Charge for the year	3	3
Disposals and write-offs	-	-
Balance as at 31 December 2017	26	26
Charge for the year	2	2
Disposals and write-offs	-	-
Balance as at 31 December 2018	28	28
Net book value as at 31 December 2017	**3**	**3**
Net book value as at 31 December 2018	**1**	**1**

11 Intangible and costs to obtain contracts with customers assets (cont'd)

Intangible assets (cont'd)

The amortisation charge of the Group's and the Company's intangible assets for the year ended 31 December 2018 amounts to EUR 310 thousand and EUR 2 thousand, respectively (in the year 2017 EUR 303 thousand and EUR 3 thousand, respectively).

Main intangible assets of the Group are as at 31 December 2018:
- 2nd pillar pension funds. The funds' with carrying amount of EUR 535 thousand remaining estimated useful live is 6 years (EUR 451 thousand of this carrying amount is related to Latvian entity). The funds' with carrying amount of EUR 1,000 thousand remaining estimated useful live is 10.75 - 11 years. The funds' with carrying amount of EUR 1,455 thousand remaining estimated useful live is 15.75 years.
- 3rd pillar pension funds. The funds' with carrying amount of EUR 113 thousand remaining estimated useful live is 5.75 - 9 years.
- Investments funds and portfolio of clients. Its carrying amount equals to EUR 7 thousand and remaining estimated useful live is 1 years.

Main intangible assets of the Group are as at 31 December 2017:
- 2nd pillar pension funds. The funds' with carrying amount of EUR 625 thousand remaining estimated useful live is 7 years (EUR 527 thousand of this carrying amount is related to Latvian entity). The funds' with carrying amount of EUR 1,093 thousand remaining estimated useful live is 11.75 - 12 years. The funds' with carrying amount of EUR 1,548 thousand remaining estimated useful live is 16.75 years.
- 3rd pillar pension funds. The funds' with carrying amount of EUR 128 thousand remaining estimated useful live is 6.75 - 10 years.
- Investments funds and portfolio of clients. Its carrying amount equals to EUR 14 thousand and remaining estimated useful live is 2 years.

Costs to obtain contracts with customers

Movement in the account of costs to obtain with customers is presented below:

	Group
Balance as at 1 January 2018 (impact of IFRS 15)	**1,211**
Additions	596
Amortisation	(161)
Balance as at 31 December 2018	**1,646**

12. Financial instruments by category

Group	Financial assets at amortised cost	Assets at fair value through the profit or loss	Total
31 December 2018			
Assets as per statement of financial position			
Investments into subsidiaries	-	10,144	10,144
Investments into associates	-	22,745	22,745
Trade and other receivables short term excluding tax receivables	7,573	-	7,573
Financial assets at fair value through profit and loss	-	19,857	19,857
Other financial assets at amortised cost	386	-	386
Cash and cash equivalents	2,048	-	2,048
Total	**10,007**	**52,746**	**62,753**

Group	Available-for-sale	Loans and receivables	Held to maturity	Assets at fair value through the profit or loss	Total
31 December 2017					
Assets as per statement of financial position					
Investments into subsidiaries	-	-	-	13,994	13,994
Investments into associates	-	-	-	20,008	20,008
Investments available-for-sale	494	-	-	-	494
Trade and other receivables short term excluding tax receivables	-	1,866	-	-	1,866
Financial assets at fair value through profit or loss	-	-	-	23,780	23,780
Held to maturity	-	-	395	-	395
Cash and cash equivalents	-	2,133	-	-	2,133
Total	**494**	**3,999**	**395**	**57,782**	**62,670**

Group	**31 December 2018**		**31 December 2017**	
Liabilities as per statement of financial position	Financial liabilities at amortised cost	Financial liabilities through the profit or loss	Financial liabilities at amortised cost	Financial liabilities through the profit or loss
Trade payables	400	-	190	-
Other current payables excluding tax payables and employee benefit payables	567	52	732	-
Total	**967**	**52**	**922**	**-**

Company	Financial assets at amortised cost	Assets at fair value through the profit or loss	Total
31 December 2018			
Assets as per statement of financial position			
Investments into subsidiaries	-	10,144	10,144
Investments into associates	-	22,499	22,499
Trade and other receivables	6,640	-	6,640
Financial assets at fair value through profit or loss	-	16,385	16,385
Cash and cash equivalents	670	-	670
Total	**7,310**	**49,028**	**56,338**

12 Financial instruments by category (cont'd)

Company	Available-for-sale	Loans and receivables	Assets at fair value through the profit or loss	Total
31 December 2017				
Assets as per statement of financial position				
Investments into subsidiaries	-	-	13,994	13,994
Investments into associates	-	-	20,008	20,008
Investments available-for-sale	494	-	-	494
Trade and other receivables	-	217	-	217
Financial assets at fair value through profit or loss	-	-	22,364	22,364
Cash and cash equivalents	-	1,050	-	1,050
Total	**494**	**1,267**	**56,366**	**58,127**

Company	**31 December 2018**	**31 December 2017**
Liabilities as per statement of financial position	Financial liabilities at amortised cost	
Borrowings	-	398
Trade payables	4	3
Other current payables excluding tax payables and employee benefit payables	430	438
Total	**434**	**839**

13. Fair value estimation

Financial instruments that are not carried at fair value

The Group's and the Company's principal financial instruments that are not carried at fair value in the statement of financial position are cash and cash equivalents, trade and other receivables, bonds, loans granted, borrowings, trade and other payables and in 2017 investments available-for-sale.

The fair value represents the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The carrying amount of the cash and cash equivalents, trade and other receivables, trade and other payables of the Group and the Company as at 31 December 2018 and 2017 approximated their fair value because they are short-term and the impact of discounting is immaterial.

The carrying amount of borrowings by the Company as at 31 December 2017 approximates their fair value because the interest rates are reviewed and adjusted when market rates change. Their fair value of borrowings is based on cash flows discounted using 3 % interest rate as at 31 December 2017. It is Level 3 fair value measurement.

As at 31 December 2018 the fair value of bonds is EUR 390 thousand (carrying amount – EUR 386 thousand). It is Level 1 fair value measurement.

Financial instruments carried at fair value

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As the split-off completed in 2014 the Company is investment entity in accordance with IFRS 10. Subsidiaries and associates are measured at fair value through profit or loss.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange and those prices represent actual and regularly occurring market transactions on arm's length basis. The quoted market price used for financial assets held by the Group and Company is the measurement date exchange closing price.

13 Fair value estimation (cont'd)

Financial instruments carried at fair value (cont'd)

The valuation of Level 3 instruments are performed by the Company's employees, analysts, every quarter. The value is estimated as at the last day of quarter. The management of the Company review the valuations prepared by analysts.

Investment into shares of UAB Litagra (agriculture segment) was measured by average of two methods - using EBITDA multiplier method with deduction of net debt and using Price to book value (P/BV) multiplier method. It was used EBITDA for last three trailing 12 months periods ended at the end of reporting period with bigger weight for last 12 months period figures.

Investment in facility management entities was measured using trailing twelve months EBITDA and applying a multiplier of comparable entity City Service SE, operating in Lithuania and listed on the on the Warsaw Exchange. It was decided not to use other foreign companies' multipliers, which were higher than the one used in the calculations due to the fact that facility management is local business dependent on varying Lithuanian legal and business environment. Other facility management entities operating in Lithuania are not public companies.

UAB Kelio Ženklai was measured according to fair value of its assets and liabilities. The main assets - buildings - of UAB Kelio Ženklai was valued using sales comparison method. On the assessment the value of UAB Kelio Ženklai reflects its liquidation value.

UAB Mundus was measured using its assets under management and applying a multiplier of assets under management and discount for the small size of the entity and lack of marketability. The multiplier of assets under management is based on ratio between market value of comparable assets management entity and it assets under management.

Investments into UAB MD Partners are measured as fair value of net assets value of entity, where main indirectly owned assets – investment into MAIB bank – are measured by average as two methods – using price to earnings (P/E) and P/BV multiplier method of comparable banks and applying discount at which investment was acquired.

Dormant entities are measured according to its equity, because they have only cash and current liabilities.

The following table represents inputs and fair value valuation techniques of subsidiaries and associates used by the Company and the Group as at 31 December 2018:

Profile of activities	Fair value	Valuation technique	Inputs	Values of inputs
Facility management (Level 3)	3,996	Comparable companies in the market	EBITDA multiple	11.9
			EBITDA, EUR thousand	310
Agriculture (UAB Litagra) (Level 3)	12,223	Comparable companies in the market	EBITDA multiple	8.85-10.97
			P/BV	0.67-0.85
			EBITDA, EUR thousand	2,805
			Discount for lack of marketability	10%
Road signs production, wood manufacturing (Level 3)	518	Fair value of net assets	-	-
Assets management (UAB Mundus) (Level 3)*	246	Comparable companies in the market	Assets under management, EUR thousand	18,634
			Assets under management multiple	0.0248
			Discount for the small size of the entity and lack of marketability	20%
Investment entity (UAB MD partners, investment into MAIB) (Level 3)	5,314	Comparable companies in the market	P/BV	0.81
			P/E	7.3
			Net profit, EUR thousand	27
			Equity, EUR thousand	199
			Discount for lack of marketability and country risk	69%
Dormant SPEs (Level 2)	316	Fair value of net assets	-	-

*Actual only to the Group

13 Fair value estimation (cont'd)

Financial instruments carried at fair value (cont'd)

The following table represents inputs and fair value valuation techniques of subsidiaries and associates used by the Company and the Group as at 31 December 2017:

Profile of activities	Fair value	Valuation technique	Inputs	Values of inputs
Facility management (Level 3)	3,579	Comparable companies in the market	EBITDA multiple	8
			EBITDA, EUR thousand	392
Agriculture (UAB Litagra) (Level 3)	9,972	Comparable companies in the market	EBITDA multiple	7.29-8.88
			P/BV	0.79-0.98
			EBITDA, EUR thousand	3,041
			Discount for lack of marketability	10%
Road signs production, wood manufacturing (Level 3)	972	Fair value of net assets	-	-
Investment entity (UAB Cedus Invest) (Level 2) (Note 0)	9,428	Fair value of net assets	-	-
Dormant SPEs (Level 2)	15	Fair value of net assets	-	-

The table below presents the effect of changing one or more those assumptions behind the valuation techniques adopted based on reasonable possible alternative assumptions:

Profile of activities	Unobservable inputs	Reasonable possible shift +/- (absolute value/bps/%)	Change in Valuation +/-	
			As at 31 December 2018	As at 31 December 2017
Facility management (Level 3)	EBITDA multiple	1	310/(310)	392/(392)
	EBITDA	5%	184/(184)	157/(157)
Agriculture (UAB Litagra) (Level 3)	EBITDA multiple	0.5	179/(179)	180/(180)
	P/BV multiple	0.1	712/(712)	553/(553)
	EBITDA	5%	275/(275)	200/(200)
	Discount for lack of marketability	100 bps	(136)/136	(111)/111
Investment entity (UAB MD partners, investment into MAIB) (Level 3)	P/BV	0.1	242/(242)	-
	P/E	1	330/(330)	-
	Net profit, EUR thousand	5%	120/(120)	-
	Equity, EUR thousand	5%	98/(98)	-
	Discount for lack of marketability and country risk	100 bps	(142)/142	-

13 Fair value estimation (cont'd)

Financial instruments carried at fair value (cont'd)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2018:

	Level 1	Level 2	Level 3	Total balance
Assets				
Subsidiaries				
- Facilities management	-	-	3,996	3,996
- Bank sector	-	-	5,314	5,314
- Other activities	-	316	518	834
Associates				
- Agriculture	-	-	12,223	12,223
- Real estate	10,276	-	-	10,276
- Asset Management	-	-	246	246
Financial assets designated upon initial recognition at fair value through profit or loss				
- Information technology	2,833	-	-	2,833
- Bank sector	14,796	-	-	14,796
- Other ordinary shares	1	167	494	662
- Collective investment undertakings - funds	-	396	1,170	1,566
Total Assets	27,906	879	23,961	52,746
Liabilities	-	-	52	52

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2018:

	Level 1	Level 2	Level 3	Total balance
Assets				
Subsidiaries				
- Facilities management	-	-	3,996	3,996
- Bank sector	-	-	5,314	5,314
- Other activities	-	316	518	834
Associates				
- Agriculture	-	-	12,223	12,223
- Real estate	10,276	-	-	10,276
Financial assets designated upon initial recognition at fair value through profit or loss				
- Information technology	2,512	-	-	2,512
- Bank sector	13,212	-	-	13,212
- Other ordinary shares	-	167	494	661
Total Assets	26,000	483	22,545	49,028
Liabilities	-	-	-	-

13 Fair value estimation (cont'd)

Financial instruments carried at fair value (cont'd)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2017:

	Level 1	Level 2	Level 3	Total balance
Assets				
Subsidiaries				
- Facilities management	-	-	3,579	3,579
- Other activities	-	9,443	972	10,415
Associates				
- Agriculture	-	-	9,972	9,972
- Real estate	10,036	-	-	10,036
Financial assets designated upon initial recognition at fair value through profit or loss				
- Information technology	2,853	-	-	2,853
- Bank sector	18,111	-	-	18,111
- Other ordinary shares	1	172	-	173
- Collective investment undertakings - funds	-	529	554	1,083
Financial assets held for trading				
Equity securities				
- Food industry	1,560	-	-	1,560
Total Assets	32,561	10,144	15,077	57,782
Liabilities	-	-	-	-

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2017:

	Level 1	Level 2	Level 3	Total balance
Assets				
Subsidiaries				
- Facilities management	-	-	3,579	3,579
- Other activities	-	9,443	972	10,415
Associates				
- Agriculture	-	-	9,972	9,972
- Real estate	10,036	-	-	10,036
Financial assets designated upon initial recognition at fair value through profit or loss				
- Information technology	2,521	-	-	2,521
- Bank sector	18,111	-	-	18,111
- Other ordinary shares	-	172	-	172
Financial assets held for trading				
Equity securities				
- Food industry	1,560	-	-	1,560
Total Assets	32,228	9,615	14,523	56,366
Liabilities	-	-	-	-

During 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

As at 31 December 2017 the available-for-sale financial assets owned by the Group are measured at cost in accordance with IAS 39 because their fair value cannot be measured reliably, as they have no quoted market prices in an active market. In 2018 the Group and the Company are estimated that fair value of this investment substantially does not differs from cost.

13 Fair value estimation (cont'd)

Financial instruments carried at fair value (cont'd)

Financial instruments in Level 3

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

The following table presents the changes in Level 3 instruments of the Company and the Group for the period ended 31 December 2018:

	Facilities management	Agriculture	Assets management*	Bank sector	Other activities	Collective investment undertakings*	Total
Balance at 31 December 2017	**3,579**	**9,972**	**-**	**-**	**972**	**554**	**15,077**
Gains and losses recognised in profit or loss (within 'Net changes in fair value of financial assets at fair value through profit or loss')	417	2,251	(19)	589	(594)	116	2,760
Loans granted	-	-	-	-	95	-	95
Interest charged	-	-	-	-	45	-	45
Reclassification from available-for-sale	-	-	-	-	494	-	494
Acquisition	-	-	265	4,725	-	500	5,490
Balance at 31 December 2018	**3,996**	**12,223**	**246**	**5,314**	**1,012**	**1,170**	**23,961**
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	417	2,251	(19)	589	(594)	116	2,760

*These caption are actual only to the Group.

The following table presents the changes in the contingent consideration (Level 3 financial liability measurement) of the Group for the period ended 31 December 2018:

Balance at 31 December 2017	**-**
Gains and losses recognised in profit or loss (within 'Net changes in fair value of financial assets at fair value through profit or loss')	25
Contingent consideration for acquisition of associate (Note 4)	(77)
Balance at 31 December 2018	**(52)**
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	25

The following table presents the changes in Level 3 instruments of the Company and the Group for the period ended 31 December 2017:

	Facilities management	Agriculture	Other activities	Collective investment undertakings*	Total
Balance at 31 December 2016	**4,484**	**15,371**	**953**	**-**	**20,808**
Gains and losses recognised in profit or loss (within 'Net changes in fair value of financial assets at fair value through profit or loss')	(905)	4,029	(183)	54	2,995
Loans granted	-	-	165	-	165
Interest charged	-	-	37	-	37
Acquisition	-	-	-	500	500
Reclassification to subsidiaries due to disposals of associate (transfer to Level 2)	-	(9,428)	-	-	(9,428)
Balance at 31 December 2017	**3,579**	**9,972**	**972**	**554**	**15,077**
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	(905)	4,029	(183)	54	2,995

*This caption is actual only to the Group.

14. Financial assets available-for-sale, at fair value through profit or loss and other financial assets at amortised cost (in 2017 - held to maturity)

	Group		Company	
	2018	**2017**	**2018**	**2017**
Available-for-sale				
Ordinary shares – unquoted (carried at cost)	-	494	-	494
	-	494	-	494
Held-for-trading				
Ordinary shares – quoted	-	1,560	-	1,560
	-	1,560	-	1,560
Financial assets at fair value through profit or loss (excluding held-for-trading)				
Ordinary shares – quoted	17,630	20,965	15,724	20,632
Investment units	1,566	1,083	-	-
Ordinary shares - unquoted	661	172	661	172
	19,857	22,220	16,385	20,804
Total financial assets at fair value through profit or loss	19,857	23,780	16,385	22,364
Non-current financial assets at fair value through profit or loss	19,857	20,804	16,385	20,804
Current financial assets at fair value through profit or loss	-	2,976	-	1,560
Other financial assets at amortised cost (2017 - Held to maturity)				
Bonds	386	395	-	-
	386	395	-	-

In 2018 the Group have additional invested EUR 691 thousand by cash into financial assets at fair value through profit or loss and has sold them for EUR 206 thousand by cash.

IN 2018 the Group and the Company sold held-for-trading financial assets for EUR 1,971 thousand.

In 2017 the Group have additional invested EUR 741 thousand by cash into financial assets at fair value through profit or loss and has sold them for EUR 637 thousand by cash.

The fair value of the quoted ordinary shares and listed bonds is determined by reference to published price quotations in the active market (Level 1).

As at 31 December 2017 the unquoted ordinary shares are measured at cost. The fair value of unquoted ordinary shares has not been disclosed because the fair value cannot be measured reliably. The Company, as a non-controlling shareholder, is getting only limited information about these investments. There are only a limited number of comparable companies in Europe. No liquid market for these securities exists, only small deals are noticed in recent years. The Company intends to dispose of these shares in case majority stake of the company is sold to another investor or if current shareholders will offer attractive price. In 2018 the Group and the Company are estimated that fair value of this investment substantially does not differs from cost.

The credit quality of debt securities can be assessed by reference to external credit ratings of the issuer:

	Group	
	2018	**2017**
Moody's ratings		
From BA1 till BA3	386	395
	386	395

The impairment loss of debt securities determined on 12-month expected credit losses is resulted in an immaterial amount.

15. Loans granted

As at 31 December 2017 the Group's and the Company's loans granted with nominal value of EUR 682 thousand and EUR 682 thousand, respectively, were impaired and fully provided for from the year of 2009. As impact of applying of IFRS 9 the loan granted is written-off, but are still subject to enforcement activity.

16. Trade, other receivables and contract assets

	Group		Company	
	2018	2017	2018	2017
Trade and other receivables, gross	7,721	1,876	6,779	217
Taxes receivable, gross	20	37	-	-
Contract assets	110	-	-	-
Less: allowance for doubtful trade and other receivables	(148)	(10)	(139)	-
	7,703	1,903	6,640	217

Changes in allowance for doubtful trade and other receivables for the year 2018 and 2017 have been included within 'Provision for impairment of financial and contract assets' expenses in the income statement.

Trade and other receivables are non-interest bearing and are generally on 10–30 days terms. Receivables from related parties are disclosed in more details in Note 27.

Movements in the allowance for accounts receivable of the Group and the Company were as follows:

	Group	Company
Balance as at 31 December 2016	11	-
Charge for the year	-	-
Reversal of amounts previously written-off	(1)	-
Balance as at 31 December 2017	10	-
Charge for the year	139	139
Reversal of amounts previously written-off	(1)	-
Balance as at 31 December 2018	148	139

The credit quality of trade and other receivables and contract assets of the Group can be assessed on the ageing analysis disclosed below:

	Current	Less than 30 days	30–90 days	90–180 days	More than 180 days	Total
As at 31 December 2018						
Trade and other receivables, gross	925	3	2	2,004	4,787	7,721
Contract assets	110	-	-	-	-	110
Expected credit losses	-	-	-	-	(148)	(148)
Trade and other receivable and contact assets net of expected credit losses	**1,035**	**3**	**2**	**2,004**	**4,639**	**7,683**
As at 31 December 2017						
Trade and other receivables, gross	1,685	-	1	-	190	1,876
Expected credit losses	-	-	-	-	(10)	(10)
Trade and other receivable and contract assets net of expected credit losses	**1,685**	**-**	**1**	**-**	**180**	**1,866**

16 Trade, other receivables and contract assets (cont'd)

The credit quality of trade and other receivables of the Company can be assessed on the ageing analysis disclosed below:

	Current	Less than 30 days	30–90 days	90–180 days	More than 180 days	Total
As at 31 December 2018						
Trade and other receivables, gross	9	-	-	2,000	4,770	6,779
Expected credit losses	-	-	-	-	(139)	(139)
Trade and other receivable net of expected credit losses	**9**	**-**	**-**	**2,000**	**4,631**	**6,640**
As at 31 December 2017						
Trade and other receivables, gross	37	-	-	-	180	217
Expected credit losses	-	-	-	-	-	-
Trade and other receivable net of expected credit losses	**37**	**-**	**-**	**-**	**180**	**217**

17. Cash and cash equivalents, term deposits

	Group		Company	
	2018	2017	2018	2017
Cash at bank	2,048	2,133	670	1,050
	2,048	2,133	670	1,050

Cash at bank earns interest at floating rates based on daily bank deposit rates.

The Group and the Company's cash and cash equivalents were not having any encumbrance.

As at 31 December 2018 and 2017, the Group and the Company had previous term deposits at insolvent AB Bankas Snoras with the maturity of more than 3 months, which are fully provided for and as impact of IFRS 9 is written-off as at 1 January 2018, but are still subject to enforcement activity (gross amount EUR 3,122 thousand).

All cash balances have a low credit risk at the reporting date and the impairment loss determined on 12-month expected credit losses is resulted in an immaterial amount.

The credit quality of cash can be assessed by reference to external credit ratings of the banks:

	Group		Company	
	2018	2017	2018	2017
Moody's ratings				
Prime-1	749	1,668	6	892
Prime-2	808	-	639	-
Prime-3	491	465	25	158
	2,048	2,133	670	1,050

18. Restricted cash

In 2017 the restricted cash, deposited within AB Šiaulių bankas to secure future commitment to purchase 100% of shares of AS "Finasta atklatais pensiju fonds" (entity managed 3rd pillar pension funds in Latvia, current name - INVL Atklātais Pensiju Fonds, Note 4), was released after completion of acquisition.

19. Share capital and share premium

The total authorised number of ordinary shares is 11,865,993 (as of 31 December 2017: 11,865,993 shares) with a par value of EUR 0.29 per share. All issued shares are fully paid.

Changes during 2017

From 4 May 2017 until 18 May 2017 the Company implemented share buy-back through the tender offer market. Maximum number of shares to be acquired was 120,000. Share acquisition price established at EUR 4.55 per share. During buy-back 23,076 shares (0.19% of share capital) were acquired for EUR 106 thousand, including brokerage fees. The acquired shares were settled on 22 May 2017. Acquired own shares do not have voting rights.

Changes during 2018

From 7 May 2018 until 21 May 2018 the Company implemented share buy-back through the tender offer market. Maximum number of shares to be acquired was 200,000. Share acquisition price established at EUR 5.53 per share. During buy-back 3,396 shares (0.03% of share capital) were acquired for EUR 19 thousand, including brokerage fees. The acquired shares were settled on 23 May 2018. Acquired own shares do not have voting rights.

20. Reserves

The movements in legal and other reserves are as follows:

Group	Legal reserve	Reserve for the acquisition of own shares	Reserve for the grant of shares	Share based payments reserve	Total
As at 31 December 2016	**477**	**11,121**	**-**	**346**	**11,944**
Transfer to reserves	13	-	-	-	13
Share-based payment	-	-	-	114	114
As at 31 December 2017	**490**	**11,121**	**-**	**460**	**12,071**
Transfer to reserves	13	-	900	(460)	453
Share-based payment	-	-	-	224	224
As at 31 December 2018	**503**	**11,121**	**900**	**224**	**12,748**

Reserves of the Company is the same as in the Group, except the legal reserve, which is amounted to EUR 473 thousand as at 31 December 2016, 2017 and 2018.

On 30 April 2018 the annual general meeting of the Company has decided to transfer from retained earnings and the share based payment reserve EUR 900 thousand to the reserve for the grant of shares.

Legal reserve

Legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5 % of net profit, calculated in accordance with the statutory financial statements, are compulsory until the reserve reaches 10 % of the share capital. The reserve can be used only to cover the accumulated losses.

Reserve for the acquisition of own shares

Reserve for the acquisition of own shares is formed for the purpose of buying own shares in order to keep their liquidity and manage price fluctuations. It can be formed by shareholders' decision at the Annual Shareholders Meeting from the profit available for distribution. The reserve cannot be used to increase the share capital. The reserve does not change when Company acquires own shares, but is utilised when own shares are cancelled. The shareholders can decide to transfer unused amounts of the reserve back to retained earnings at the Annual Shareholders Meeting.

Reserve for the grant of shares

Reserve for the grant of shares is formed when shares are granted by issuing a new share emission. The amount of the reserve for the grant of shares shall not be less than the sum of the emission price of the shares issued when the shares are granted free of charge, and (or) difference between the sum of the emission price of the shares issued and the sums paid by the persons acquiring the shares, when the shares are granted partly in consideration.

20 Reserves (cont'd)

Share based payments reserve

The share-based payment transactions reserve is used to recognise the value of equity-settled share-based payment transactions provided to key management personnel.

The Company every year offered to employees of the Group the share options transaction. The main conditions of transactions were:

- The employee has the right to acquire the shares after three years after conclusion of the share options agreements, early exercising is not allowed;
- Option exercise price – EUR 1;
- Some transactions have service vesting condition. The right to acquire share in the part of transactions come in to force in future in three years, if the employment contract is not terminated until mentioned dates.
- When the time to exercise is matures the right to acquire the shares will be realized by selling of own shares of the Company or by offering to sign newly issued shares of the Company to employee;
- The options could not be sold.

The value of share-based payments was calculated using the Black-Scholes formula. For volatility input is used historical shares volatility on exchange.

Set out below are summaries of options granted by the Company:

	Number of options, thousand	
	2018	**2017**
Balance as at 1 January	**140**	**121**
Granted during year	60	79
Change in accrued number for rendered services at year-end	1	(60)
Balance as at 31 December	**201**	**140**
Vested and exercisable at 31 December	169	127

Share options outstanding at the end of the year have following expiry dates and inputs to measure fair value:

As at 31 December 2018	**Expiry date**	**Share options, thousand**	**Share price**	**Volatility**	**Expected dividend yield**	**Risk-free interest rate**	**Fair value of share option**
Granted on 2 May 2016	2 May 2019	53	3.91	36.52%	0%	(0.448%)	2.90
Granted on 3 May 2017	3 May 2020	14	4.35	33.58%	0%	(0.641%)	3.33
Granted on 16 May 2017	3 May 2020	65	4.55	33.60%	0%	(0.578%)	3.53
Granted on 03 May 2018	3 May 2021	60	5.25	32.38%	0%	(0.423%)	4.24
Accrued on 31 December 2018	30 April 2022	9	4.70	31.37%	0%	(0.498%)	3.68
Total	**-**	**201**	**-**	**-**	**-**	**-**	**-**

As at 31 December 2017	**Expiry date**	**Share options, thousand**	**Share price**	**Volatility**	**Expected dividend yield**	**Risk-free interest rate**	**Fair value of share option**
Granted on 2 May 2016	2 May 2019	53	3.91	36.52%	0%	(0.448%)	2.90
Granted on 3 May 2017	3 May 2020	14	4.35	33.58%	0%	(0.641%)	3.33
Granted on 16 May 2017	3 May 2020	65	4.55	33.60%	0%	(0.578%)	3.53
Accrued on 31 December 2017	30 April 2021	8	5.30	34.86%	0%	(0.442%)	4.29
Total	**-**	**140**	**-**	**-**	**-**	**-**	**-**

In 2018 and 2017 the share-based payment expenses were recognised in the income statement of the Company and the Group within "Employee benefits expenses" as the fair value of share options right away. In 2018 and 2017 the Group has recognized EUR 224 thousand and EUR 114 thousand of expenses, respectively. In 2018 the Company has recognised EUR 34 thousand of expenses and EUR 190 thousand as additional investment to consolidated subsidiaries. In 2017 the Company has recognised EUR 41 thousand of expenses and EUR 73 thousand as additional investment to consolidated subsidiaries.

21. Borrowings

As at 31 December 2018 the Company has not received any borrowings. As at 31 December 2017 the Company has received the borrowings from Invalda INVL Investments UAB. As at 31 December 2018 and 2017 the Group has not any borrowings.

Weighted average effective interest rates of borrowings during the year:

	Group		Company	
	2018	**2017**	**2018**	**2017**
Borrowings	-	-	3.00%	3.00%

Changes in liabilities arising from financing activities (borrowings) are presented in the table below:

	Company
	Borrowings
As at 31 December 2016	**398**
Interest paid	(12)
Interest expenses	12
As at 31 December 2017	**398**
Repayment of granted loans	(398)
Interest paid	(7)
Interest expenses	7
As at 31 December 2018	**-**

22. Trade payables

Trade payables are non-interest bearing and are normally settled on 14–60 day terms. For terms and conditions relating to related parties please refer to Note 27.

23. Contract liabilities

Movement in the account of contract liabilities is presented below:

	Group
Balance as at 1 January 2018 (impact of IFRS 15)	**82**
During period received cash for satisfying of performance obligation	127
Recognised revenue during period partly satisfied performance obligation	(12)
Balance as at 31 December 2018	**197**
Non-current	175
Current	22

24. Other liabilities

The other current and non-current liabilities are presented in the table below:

	Group		Company	
	2018	**2017**	**2018**	**2017**
Financial liabilities				
Dividends payable	366	372	366	372
Contingent consideration – financial liabilities at fair value through profit or loss	52	-	-	-
Other amounts payable	201	360	64	66
	619	732	430	438
Non – financial liabilities				
Salaries and social security payable	1,006	713	40	29
Tax payable	168	16	-	-
Other amounts payable	-	30	-	-
	1,174	759	40	29
Total other current and non-current liabilities	1,793	1,491	470	467
Non-current liabilities	-	-	-	-
Current liabilities	1,793	1,491	470	467

25. Financial risk management

25.1. Financial risk factors

The risk management function within the Group is carried out in respect of financial risks (credit, market and liquidity), operational risks and legal risks. On an overall Group level strategical risk management is executed by the Board of Directors. Operational risk management is carried out at each entity level by directors. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

The Group's and the Company's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's and the Company's operations. The Group and the Company have various financial assets such as trade and other receivables, loans granted, investments in equity and debt securities, deposits held in banks and cash which arise directly from its operations. The Group and Company has not used any of derivative instruments so far, as management considered that there is no necessity for them.

The Group is being managed the way so its main businesses would be separated from each other. This is to diversify the operational risk and create conditions for selling any business avoiding any risk to the Company and the Group.

The Company's policy is to not provide any guarantee or surety for the Group's companies. The Group's companies do not provide any guarantees one against another usually.

The main risks arising from the financial instruments are market risk (including currency risk, cash flow and fair value interest rate risk and price risk), liquidity risk and credit risk. The risks are identified and disclosed below.

Credit risk

Credit risk is the risk one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash and cash equivalents, restricted cash, deposits with banks and financial institutions, as well as credit exposures to outstanding trade receivables, loans granted and debt securities.

The Group estimates the credit risk separately by the segments.

The maximum exposure to credit risk and impairment of trade and other receivables and loans granted is disclosed in Notes 15 and 16. The maximum exposure to credit risk for loans granted classified as 'investments to subsidiaries measured at fair value through profit or loss' are their carrying amounts (EUR 518 thousand as at 31 December 2018 and EUR 947 thousand as at 31 December 2017). In Note 16 is also disclosed credit quality of trade receivable. There are no significant transactions of the Group or the Company that occur outside Lithuania and Latvia.

With respect to credit risk arising from other financial assets of the Group and the Company, which comprise deposits at banks and cash and cash equivalents, restricted cash and debt securities, the Group's and the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The maximum exposure to credit risk is disclosed in Notes 14 and 17.

Cash flow and fair value interest rate risk

The Group's and the Company's exposure to the risk of changes in market interest rates relates primarily to the debt obligations with floating interest rates and to the owned bonds.

The Group has not any borrowing as at 31 December 2018 and 2017. The Company has not any borrowing as at 31 December 2018. The Company has borrowing from its subsidiaries with fixed interest rates for one year as at 31 December 2017. The Company and the Group has loans granted to its subsidiaries with fixed interest rates for one year. Therefore, the Group and the Company are not exposed to cash flow interest rate risk from loans granted.

In 2018 and 2017 bonds at fixed rates expose the Group to fair value interest rate risk, but it was insignificant.

25 Financial risk management (cont'd)

25.1 Financial risk factors (cont'd)

Price risk

The Group and the Company are exposed to equity securities price risk because of investments held by the Group and the Company and classified on the statement of financial position either as available-for-sale (only in 2017) or at fair value through profit or loss. The Group and the Company are not exposed to commodity price risk. To manage their price risk arising from investments in equity securities, the Group and the Company diversify their portfolio.

The Group's and the Company's investments in equity of other entities that are publicly traded are included in the equity index: OMX Baltic Benchmark Gross Index (OMXBBGI).

The table below summarises the impact of increases/decreases of the equity index on the Group's and the Company's profit before tax for the year. The analysis is based on the assumption that the equity index had increased/ decreased by 20 % with all other variables held constant and all the Group's and Company's equity instruments moved according to the historical correlation with the index:

Index	Group		Company	
	2018	2017	2018	2017
OMXBBGI	2,947	3,461	2,650	3,456

Profit before tax for the year would increase/decrease as a result of gains/losses on equity securities classified at fair value through profit or loss.

Foreign exchange risk

As a result of operations the statement of financial position of the Group can be affected by movements in the reporting currencies' exchange rates. The Group's and the Company's policy is related to matching of money inflows from the most probable potential sales with purchases by each foreign currency. The Group and the Company do not apply any financial instruments allowing to hedge foreign currency risks, because these risks are considered insignificant.

The foreign currency risk at the Group and the Company is not large, taking into consideration that most monetary assets and obligations are denominated in euro. As at 31 December 2018 and 2017 the Group and Company has insignificant assets denominated in foreign currency.

25 Financial risk management (cont'd)

25.1 Financial risk factors (cont'd)

Liquidity risk

The Group's and the Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet their commitments at a given date in accordance with strategic plans. The liquidity risk of the Group and the Company is controlled on a level of subsidiaries. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings. The liquidity risk management is divided into long-term and short-term risk management.

The aim of the short-term liquidity management is to meet daily needs for funds. Each operating segment is independently planning its internal cash flows. Short-term liquidity for the Group and the Company is controlled through monthly monitoring of the liquidity status and needs of funds according to the Group's operating segments.

Long-term liquidity risk is managed by analysing the predicted future cash flows taking into account the possible financing sources. Before approving the new investment projects the Group and the Company evaluate the possibilities to attract needed funds. The general rule is applied in the Group to finance the Group companies or to take loans from them through the parent company in order to minimise the presence of direct borrowings between the companies of different operating segments.

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2018 and 2017 based on contractual undiscounted payments.

	On demand	Less than 3 months	4 to 12 months	2 to 5 years	More than 5 years	Total
Trade and other payables	-	400	-	-	-	400
Financial liabilities at fair value	-	-	34	18	-	52
Other liabilities	366	200	1	-	-	567
Balance as at 31 December 2018	**366**	**600**	**35**	**18**	**-**	**1,019**
Trade and other payables	-	190	-	-	-	190
Other liabilities	372	287	73	-	-	732
Balance as at 31 December 2017	**372**	**477**	**73**	**-**	**-**	**922**

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2018 and 2017 based on contractual undiscounted payments.

	On demand	Less than 3 months	4 to 12 months	2 to 5 years	More than 5 years	Total
Borrowings	-	-	-	-	-	-
Trade and other payables	-	4	-	-	-	4
Other current liabilities	366	64	-	-	-	430
Balance as at 31 December 2018	**366**	**68**	**-**	**-**	**-**	**434**
Borrowings	-	-	410	-	-	410
Trade and other payables	-	3	-	-	-	3
Other current liabilities	372	66	-	-	-	438
Balance as at 31 December 2017	**372**	**69**	**410**	**-**	**-**	**851**

The Group's liquidity ratio (total current assets / total current liabilities) as at 31 December 2018 was approximately 4.66 (4.39 as at 31 December 2017). The Company's liquidity ratio as at 31 December 2018 was approximately 15.60 (3.32 as at 31 December 2017). The Group's and the Company's management considers the liquidity position of the Group and the Company based on the current market conditions and takes actions to keep the favourable situation.

25 Financial risk management (cont'd)

25.2. Capital management

The primary objective of the capital management is to ensure that the Group and the Company maintain a strong credit health and healthy capital ratios in order to support their business and maximise shareholder value. The Company's management supervises the investments so that they are in compliance with requirements applied to the capital, specified in the appropriate legal acts and credit agreements, as well as provide the Group's management with necessary information.

The Group's and the Company's capital comprises share capital, share premium, reserves and retained earnings.

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions and specific risks of their activity. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year 2018 and 2017.

The Company is obliged to keep its equity ratio at not less than 50 % of its share capital, as imposed by the Law on Companies of Republic of Lithuania. As at 31 December 2018 and 2017 all the Group consolidated subsidiaries comply with above mentioned requirement. Pursuant to the Law on State Funded Pensions of Republic of Latvia the authorised share capital of an investment management entity must be not less than EUR 500,000, if it managed pension funds of total assets up to EUR 50 million, and must be not less than EUR 1,000,000, if it managed pension funds of total assets up to EUR 100 million. As of 31 December 2018 and 2017 IPAS INVL Asset Management complied with this requirement.

The Company's subsidiaries UAB INVL Asset Management and UAB FMĮ INVL Finasta are managing their capital and all relevant risks in accordance with requirements set by the Bank of Lithuania. The Company's subsidiary IPAS INVL Asset Management is managing their capital and all relevant risks in accordance with requirements set by the Financial and Capital Market Commission of Latvia. Internally there was approved a common risk level – to which extent the minimal capital adequacy requirement would not be violated and there would not be a real threat of its violation. UAB INVL Asset Management ensure that the capital adequacy ratio calculated according to the Bank of Lithuania requirements would be at least 1.1. UAB FMĮ INVL Finasta ensures that the capital adequacy ratio calculated according to the Bank of Lithuania requirements would be at least 8%. IPAS INVL Asset Management ensures that the capital adequacy ratio calculated according to the Financial and Capital Market Commission of Latvia requirements would be at least 8%. The capital adequacy ratios in these subsidiaries were:

	2018	2017
UAB INVL Asset Management	2.93	1.61
UAB FMĮ INVL Finasta (%)	20.22	21.28
UAB IPAS INVL Asset Management (%)	50.58	46.14

26. Commitments and contingencies

Funds and individual portfolios managed by the Group

The table below presents the net assets of the Group's managed funds and individual portfolios and capitalisation of managed closed-end investment companies (cross-holding is not excluded):

	2018	2017
2nd pillar pension funds	429,202	380,920
3rd pillar pension funds	26,772	24,167
Investment and alternative investments funds	96,411	109,395
Portfolios of clients	56,634	49,884
Closed-end investment companies	49,355	49,372
Total	**658,374**	**613,738**

Operating lease commitments – Group as a lessee

The Group and the Company concluded several contracts for operating lease. The terms of lease do not include restrictions on the activities of the Group and the Company in connection with the dividends, additional borrowings or additional lease agreements.

In 2018 and 2017, the lease expenses of the Group amounted to EUR 432 thousand and EUR 339 thousand, respectively. In 2018 and 2017, the lease expenses of the Company amounted to EUR 24 thousand and EUR 22 thousand, respectively.

Future lease payments according to the signed operating lease contracts are as follows:

		Group		Company	
		2018	2017	2018	2017
Within one year					
	- lease of premises	307	215	23	23
	- other lease	11	8	1	1
		318	223	24	24
From one to five years					
	- lease of premises	1,125	746	93	91
	- other lease	45	30	3	3
		1,170	776	96	94
After five years					
	- lease of premises	481	520	43	64
	- other lease	18	21	2	2
		499	541	45	66
		1,987	**1,540**	**165**	**184**

Tax legislation

Tax authorities have right to examine accounting records of the Company and its subsidiaries at any time during the 5 year period after the current tax year and account for additional taxes and fines. In the opinion of the Company's management, currently there are no circumstances which would raise substantial liability in this respect to the Company and to the Group.

27. Related party transactions

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions.

The related parties of the Group in 2018 and 2017 were unconsolidated subsidiaries, associates, joint ventures, the shareholders of the Company, who have joint control or significance influence (Note 1) and key management personnel, including companies under control or joint control of key management and shareholders having significant influence or joint control and including companies, where shareholders having joint control over the Company are key management personnel or having significant influence. To the other related parties are attributed entities left the Group during split-off occurred in 2014, because shareholders having joint control over the Company are key management personnel of these entities or having significant influence.

Receivables from related parties are presented in carrying amount. Interest income and expenses are presented in the 'revenue and other income' and 'purchases' columns, respectively.

Transactions of the Group with unconsolidated subsidiaries in 2018 and balances as at 31 December 2018 were as follows:

2018 **Group**	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	45	-	518	-
Transfer of tax losses	27	-	-	-
Dividends	7,735	-	6,631	-
Accounting services	3	-	-	-
Donation	-	60	-	-
Other services	1	-	-	-
	7,811	60	7,149	-

The maturity of loans granted is 2019, effective interest rate is fixed at 4.5 %. Loans hold no collateral. The Group classifies part of loans granted as long term, because has policy to prolong them on maturity date.

Transactions of the Group with associates in 2018 and balances as at 31 December 2018 were as follows:

2018 **Group**	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Rent and utilities services	4	258	-	5
Dividends	593	-	-	-
Management and success fees	357	-	23	-
Services rendered to UAB Mundus	73	-	8	-
Accounting services	16	-	7	-
	1,043	258	38	5

Transactions of the Group with other related parties in 2018 and balances as at 31 December 2018 were as follows:

2018 **Group**	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Accounting services	18	-	2	-
The group of UTIB INVL Technology (information technology maintenance services)	-	246	-	18
The group of AB INVL Baltic Farmland (land administration services)	141	-	78	-
Management fee (for UTIB INVL Technology)	381	-	57	-
Other services	9	3	-	-
	549	249	137	18

27 Related party transactions (cont'd)

Transactions of the Group with unconsolidated subsidiaries in 2017 and balances as at 31 December 2017 were as follows:

2017 **Group**	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	49	-	951	-
Transfer of tax losses	52	-	-	-
Dividends	645	-	180	-
Accounting services	3	-	-	-
Other services	2	-	1	-
	751	-	1,132	-

The maturity of loans granted is 2018, effective interest rate is fixed at 4.5 %. Loans hold no collateral. The Group classifies part of loans granted as long term, because has policy to prolong them on maturity date.

Transactions of the Group with associates in 2017 and balances as at 31 December 2017 were as follows:

2017 **Group**	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Rent and utilities services	4	213	-	4
Dividends	253	-	-	-
Management and success fees	682	-	482	-
Accounting services	12	-	-	-
	951	213	482	4

Transactions of the Group with other related parties in 2017 and balances as at 31 December 2017 were as follows:

2017 **Group**	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Accounting services	15	-	-	-
The group of UTIB INVL Technology (information technology maintenance services)	-	125	-	19
The group of AB INVL Baltic Farmland (land administration services)	56	-	13	28
Management fee (for UTIB INVL Technology)	390	-	101	-
	461	125	114	47

27 Related party transactions (cont'd)

The Company's related parties were the subsidiaries, associates, joint ventures, shareholders, who have joint control or significance influence (Note 1), key management personnel, companies under control or joint control of key management and shareholders with significant influence or joint control and companies, where shareholders having joint control over the Company are key management personnel or having significant influence. To the other related parties are also attributed entities left the Group during split-off occurred in 2014, because shareholders having joint control over the Company are key management personnel of these entities or having significant influence.

Transactions of the Company with subsidiaries in 2018 and balances as at 31 December 2018 were as follows:

2018 **Company**	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	45	7	518	-
Dividends	8,203	-	6,631	-
Transfer of tax losses	63	-	-	-
Accounting services	4	-	-	-
Other services	-	2	-	2
	8,315	9	7,149	2

The maturity of loans granted is 2019, effective interest rate is fixed at 4.5 %. Loans hold no collateral. The Company classifies part of loans granted as long term, because has policy to prolong them on maturity date.

Transactions of the Company with associates in 2018 and balances as at 31 December 2018 were as follows:

2018 **Company**	**Revenue and other income from related Parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Rent and utilities services	-	28	-	1
Dividends	551	-	-	-
Accounting services	16	-	7	-
	567	28	7	1

Transactions of the Company with other related parties in 2018 and balances as at 31 December 2018 were as follows:

2018 **Company**	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
The group of UTIB INVL Technology (information technology maintenance services)	-	10	-	1
Accounting services	18	-	2	-
Other services	9	2	-	-
	27	12	2	1

27 Related party transactions (cont'd)

Transactions of the Company with subsidiaries in 2017 and balances as at 31 December 2017 were as follows:

2017 Company	Revenue and other income from related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Loans and borrowings	49	12	951	398
Dividends	645	-	180	-
Accounting services	4	-	-	-
Other services	1	-	-	-
	699	12	1,131	398

The maturity of loans granted is 2018, effective interest rate is fixed at 4.5 %. Loans hold no collateral. The Company classifies part of loans granted as long term, because has policy to prolong them on maturity date. The maturity of borrowings is 2018, effective interest rate is fixed at 3 %.

Transactions of the Company with associates in 2017 and balances as at 31 December 2017 were as follows:

2017 Company	Revenue and other income from related Parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Rent and utilities services	-	26	-	1
Dividends	253	-	-	-
Accounting services	12	-	-	-
	265	26	-	1

Transactions of the Company with other related parties in 2017 and balances as at 31 December 2017 were as follows:

2017 Company	Revenue and other income from related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
The group of UTIB INVL Technology (information technology maintenance services)	-	9	-	1
Accounting services	15	-	-	-
	15	9	-	1

27 Related party transactions (cont'd)

There were no movements and balances outstanding of loans granted to associates in 2018 and 2017.

The movements of loans granted to subsidiaries were:

	Group		Company	
	2018	**2017**	**2018**	**2017**
At 1 January	**951**	**1,187**	**951**	**1,187**
Loans granted during year	395	165	395	165
Loans repayment received	(3)	(437)	(3)	(437)
Loans and interest converted to increased share capital	(616)	-	(616)	-
Changes in fair value of loans	(250)	-	(250)	-
Interest charged	45	49	45	49
Interest received	(4)	(13)	(4)	(13)
At 31 December	**518**	**951**	**518**	**951**

The movements of borrowings from subsidiaries were:

	Group		Company	
	2018	**2017**	**2018**	**2017**
At 1 January	**-**	**-**	**398**	**398**
Borrowings received during year	-	-	-	-
Borrowings repaid during year	-	-	(398)	-
Interest charged	-	-	7	12
Interest paid	-	-	(7)	(12)
At 31 December	**-**	**-**	**-**	**398**

Key management compensation and other payments

The management remuneration contains short-term employees' benefits and share-based payments. In 2018 and 2017 key management of the Company and Group includes Board members and Chief financial officer of the Company.

	Group		Company	
	2018	**2017**	**2018**	**2017**
Wages, salaries and bonuses	255	244	255	216
Social security contributions	80	76	79	67
Payments to pensions funds	-	-	-	-
Share-based payments	33	40	33	40
Total key management compensation	368	360	367	323

There were no loans granted during the reporting period or outstanding at the end of the reporting period. In 2018 and 2017 dividends were not paid.

28. Events after the reporting period

Additional acquisition of UAB Informacinio Verslo Paslaugų Įmonė

Unconsolidated subsidiary UAB Įmonių Grupė Inservis acquired from the state 51.67% stake in UAB Informacinio Verslo Paslaugų Įmonė for EUR 352 thousand. The transaction with the state entity Turto Bankas was completed on 31 January 2019. After this transaction, the Group increased its shareholding in UAB Informacinio Verslo Paslaugų Įmonė up to 88.7 percent. UAB Informacinio Verslo Paslaugų Įmonė has a licence of payment institution issued by the Bank of Lithuania. The company administers taxes on energy and utilities provided to residents, provides services to companies and institutions.

Investing into a closed-end private equity fund INVL Baltic Sea Growth Fund

The Management Board of the Company on 5 February 2019 approved entering into INVL Baltic Sea Growth Fund Partnership Agreement and a Subscription Agreement related to investment in the closed-end private equity fund INVL Baltic Sea Growth Fund (hereinafter – BSGF), which is managed by subsidiary UAB INVL Asset Management. The Company will invest EUR 19.15 million in BSGF. It is provided that the capital committed to the fund will be called in stages, for the execution of specific transactions. After the investment in BSGF is made, the Company undertakes not to invest in private equity assets that comply with the fund's strategy and to conduct its main investment activity through this fund. Initially the Company's investment will comprise less than 20 per cent of the capital committed to the fund, while after the second closing it is envisaged that the Company's investment may decrease to less than 10 per cent of the total capital committed to the fund.

In February 2019 was completed first closing of BSGF at 106 EUR million. Until issue of financial statements, the Company has transferred EUR 1,374 thousand of cash into BSGF.

UAB Litagra

In March 2019 UAB Litagra is acquired additional 10% of own shares from its other shareholders. Therefore, owned voting rights of UAB Litagra is increased to 45.53%.

Invalda INVL, AB
Consolidated Annual Report for 2018

Translation note:

This version of the Annual Report is a translation from the original, which was prepared in Lithuanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version takes precedence over this translation.

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A WORD FROM THE PRESIDENT OF THE COMPANY

Dear All,

Invalda INVL's business is asset management and investing. Only by successfully managing the assets entrusted to us we can create long-term value for our clients, partners, employees and shareholders. As Lithuania's largest team of responsible investment professionals who know how to seize opportunities in the markets, we have been doing that for many years now.

In many of the world's financial markets, the year 2018 was the worst since the last financial crisis, and that influenced the investments that the INVL group's companies manage. While most of INVL's products were and are the best or among the best in the market and bring long-term returns for those who've chosed them, a significant part of investments finished last year in negative zone (clients' overall loss was 21.9 million euros). That also meant a reduction in Invalda INVL's profit – in 2018 the company's earnings were 0,34 million euros.

We continually grow and improve. In 2018 we continued to invest significantly in the expansion and sustainability of our asset management business. We finished the year managing a portfolio of 675 million euros entrusted to us by more than 200,000 clients. Those figures grew by 6% and 10%, respectively, during the year. Revenue of the asset management business was 7,4 million euros, but due to the costs of rapid expansion and investments in attracting clients and funds, the overall result of the asset management business was a negative 0,7 million euros.

Groundwork for the INVL Baltic Sea Growth Fund, the launch of the INVL Special Opportunities Fund, adjustments to the retail business with a focus on the user-friendly and accessibile services, changes and investments related to the 2nd pillar pension fund reform and the offer of 3rd pillar pension fund opportunities – most of these tasks were done precisely in 2018. And we can already see positive effects of that work. We are happy to be able to introduce new significant investment opportunities, and also to contribute financially and through our work to the growth of individual companies and of the country and region.

Another important year lies ahead of us. We are sharing our knowledge with society about accumulation and investment opportunities and their importance, and we're working with the changes in the area of pension funds. In 2019 the INVL Baltic Sea Growth Fund has begun operations and is picking up speed. On completing its first closing in February this year, it became the largest private equity investment fund in the Baltic countries. We abide by a policy of investing together with our clients. At year-end value those investments totalled 26,4 million euros. We intend to significantly increase our investment in the products that INVL manages, not investing in separate businesses directly, in that way seeking maximal alignment of the interests of investors and the manager.

Before inviting you to get acquainted with the 2018 report, I want to thank the employees and shareholders of the INVL group for their belief in the importance of sustainable activities and their active support every day contributing to the positive changes and expansion. I believe that together we have laid solid foundations for successful operations, and for new opportunities for growth and improvement.

Darius Šulnis
President of Invalda INVL

I. General Information

1. Reporting period for which the report is prepared

The report is prepared for 12 months of 2018 (January – December). The report also includes significant events of the company and the group that took place after the reporting period.

The report was reviewed by auditors.

2. General information about the Issuer and other companies comprising the Issuer‘s group

2.1. Information about the Issuer

Name of the Issuer	The public joint-stock company Invalda INVL
Code	121304349
Address	Gynėjų str. 14, LT-01109 Vilnius, Lithuania
Telephone	+370 5 279 0601
E-mail	info@invaldainvl.com
Website	www.invaldainvl.com
Legal form	The public joint-stock company
Date and place of registration	20 March 1992. Register of Enterprise of Vilnius
Register in which data about the Company are accumulated and stored	Register of Legal Entities

2.2. Information on company’s goals, philosophy and operating principles

The priority of Invalda INVL group is to ensure successful management of the assets entrusted to it.

Activity

Invalda INVL is one of the leading asset management groups in the Baltic countries. Invalda INVL group currently manages pension funds (2nd and 3rd pillar) and mutual funds, alternative investments (private equity, private debt and real estate funds), individual portfolios and other financial instruments. Companies of the group engaged in asset management manage over 675 million euros of assets entrusted to them by more than 200 thousand clients in Lithuania and Latvia as well as international investors.

We believe that our team’s experience in investing and asset management creates value. That's why we now manage other investors' assets in addition to those of our shareholders. Every day we make decisions to ensure the intelligent investment of our clients’ assets, which is why we highly value responsibility, a professional attitude, efficiency and openness.

Experience

Invalda INVL, AB started the activity in 1991 as the company Invalda, AB. From 1991 until 1997 it operated as a public investment company established during the state property privatization, which was implemented in accordance to the State Property Primary Privatization law of the Republic of Lithuania. From 1997 until 2003 the company operated as a licenced holding investment company (the license was issued by the Securities Commission of Lithuania). Company’s shares have been traded on the Nasdaq Vilnius Exchange since 1995. On May 2015 the company changed its corporate name to the public joint-stock company Invalda INVL.

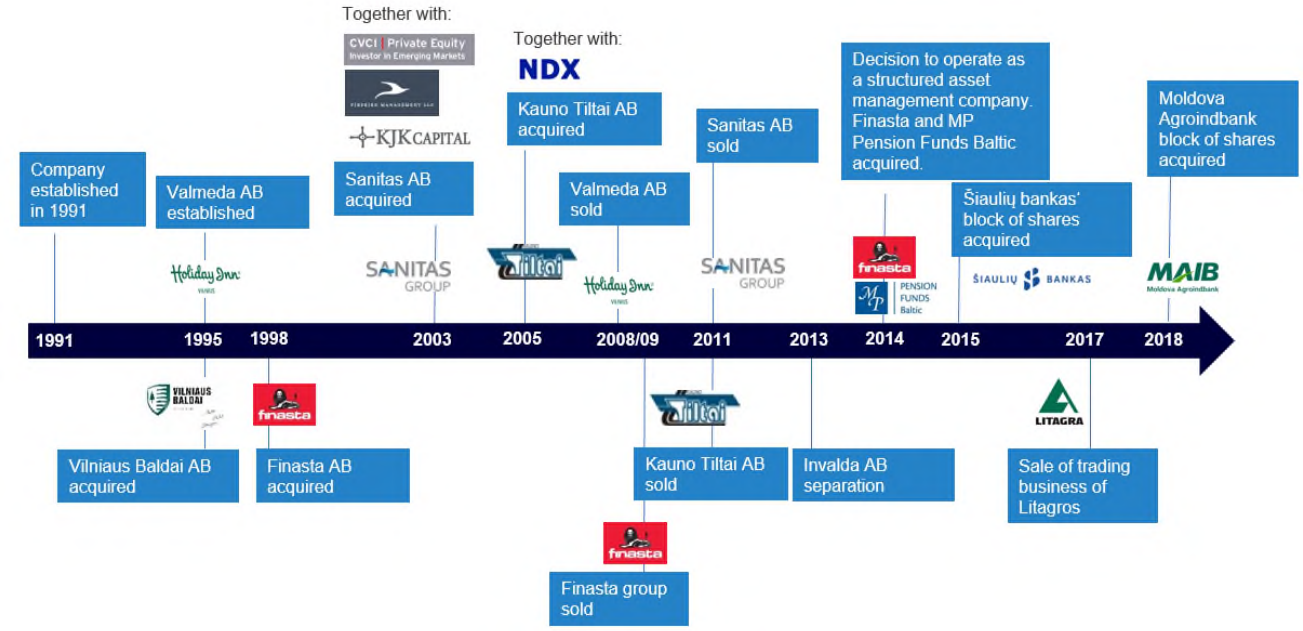
Over its history Invalda INVL implemented a few dozen corporate acquisitions and sales, capital raising transactions worth more than EUR 1.3 bln.

Having the biggest team of investment managers in Lithuania and Latvia, and more than 20 years of successful asset management, we generate significant returns for our investors.

Goals

The priority of Invalda INVL group is to ensure the successful management of the assets entrusted to it. Our aim is to achieve that the products managed by the group are among the best choices on the market in their categories.

Invalda INVL strives to be the leading asset management investment group in Lithuania and one of the leaders in the region. It is planned to continue growing and investing in the asset management business' organic growth and upon appearance of opportunities, new acquisitions in this business can be made. Alongside with the importance of the annual financial results, the priority will be given for the qualitative and quantitative asset management business growth and long-term value creation for customers, employees and shareholders.



Experience of Invalda INVL in the private equity market

1991 In 1991 the investment company Invalda began its activities.

1995 Since 1995 the shares of Invalda have traded on the Nasdaq Vilnius exchange.

1997 From 1997 to 2003 the company was licensed as an investment holding company.

In 1998 Invalda acquired FMĮ Finasta which, with the acquisition of several other smaller brokers (Mifonda, Apyvarta, Klaipėdos Vertybiniai Popieriai, Finansų Spektras and Sinkus), became Lithuania's leading financial brokerage firm.

2003 2003 brought the creation of the asset management company Finasta Investicijų Valdymas, which within a few years became the Lithuanian asset manager with the largest number of mutual fund clients.

2008 In 2008 the investment bank Finasta was established. It was sold along with other Finasta group companies in 2009.

2014 In 2014 it was decided to revise the group's business model and manage not only shareholders' assets but also those of other investors. In April 2014, three companies each managing uniform types of assets were split off from Invalda LT with plans to seek closed-end investment company (UTIB) licences.

In 2014 the Bankas Finasta group was acquired, including the Finasta Asset Management companies in Lithuania and Latvia. During the year, Invalda LT also acquired pension fund manager MP Pension Funds Baltic. Since March 2015, Finasta Asset Management has operated under the name INVL Asset Management. In April 2015 Invalda LT changed its name to Invalda INVL.

2015 Since completion of the merger of INVL Asset Management, MP Pension Funds Baltic and INVL Fondai in October 2015, it is INVL Asset Management that operates in the market.

In 2015 Invalda INVL sold its shareholdings in Bankas Finasta and the brokerage firm Finasta to Šiaulių Bankas.

2016 In July 2016, the status of a closed-end investment company was granted to INVL Technology, and in December it was granted to INVL Baltic Real Estate. The companies' management was assumed by INVL Asset Management. INVL Technology will operate as a closed-end investment company for 10 years, while INVL Baltic Real Estate will do so for 30 years.

2017 In August 2017 Latvian asset management company INVL Asset Management presented new passive management 2nd pillar pension plan INVL index Direct. In November 2017 Lithuanian company INVL Asset Management from the company Swedbank Investicijų Valdymas has assumed the management of the Swedbank Supplementary Pension Fund, a 3rd pillar pension accumulation fund.

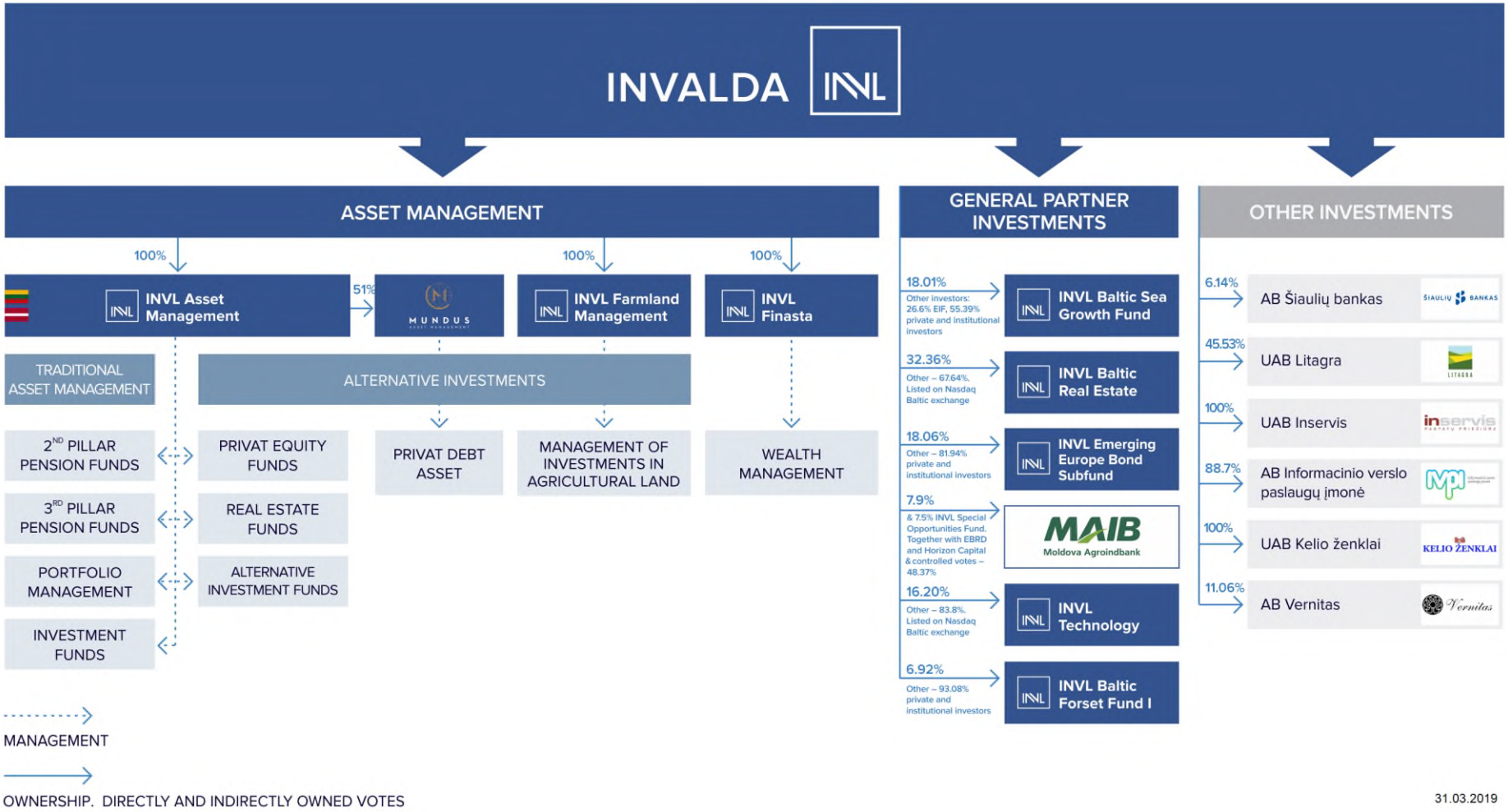
2018 In February 2018 Lithuanian company INVL Asset Management has acquired a stake in the asset management company Mundus and owns 51 per cent its shares.

2019 In February 2019 INVL Asset Management completed the first closing of the INVL Baltic Sea Growth Fund, a closed-end private equity fund intended for professional investors, at EUR 106 million. The INVL Baltic Sea Growth Fund became the largest private equity investment fund in the Baltic countries.

Key development steps of asset management business of Invalda INVL group

2.3. Information about the Issuer‘s group of companies

Currently, the largest part of Invalda INVL group assets is concentrated in Lithuania and Latvia. At the end of the reporting period the company acted in the field of asset management business and managed investments into group managed products as well as other direct private equity investments, investing in banking, agricultural, facility management and production areas. The asset management business is the core of the company's strategic, while other investments may be sold receiving attractive offers.
List of group companies as well as their contact information is presented at Annex 1.



Simplified scheme of Invalda INVL group

As of 31.12.2018 Invalda INVL hadn’t invewstment into INVL Baltic Sea Growth Fund and the following owned block of shares differed from the scheme: INVL Technology – 16.16%, INVL Baltic Real Estate – 32.29%, UAB Litagra – 40.98%, AB Informacinio verslo paslaugų įmonė – 36.67%

II. FINANCIAL INFORMATION AND SIGNIFICANT EVENTS

3. Performance results of the issuer and the group

Main items of financial statements, thousand EUR

EUR thousand	Company's			Group's		
	2016	2017	2018	2016	2017	2018
Non-current assets	51,667	63,301	59,278	48,581	59,511	58,301
Current assets	1,894	2,879	7,395	5,832	7,513	10,315
Equity	52,681	63,996	65,504	52,681	63,996	65,504
Non-current liabilities	-	1,316	695	82	1,316	897
Current liabilities	880	868	474	1,650	1,712	2,215
Result before taxes	4,714	12,750	(303)	4,773	12,644	(296)
Net result	4,770	11,307	343	4,770	11,307	343
Net result attributable to holders of the parent Company	-	-	-	4,770	11,307	343

Calculation of the net asset value of Invalda INVL

EUR thousand	Evaluation criteria	2016	2017	2018
Investment into asset management	Equity method	7,513	7,996	10,247
Investments into INVL Baltic Real Estate	Market price	8,183	10,036	10,276
Investments into Moldova-Agroindbank	Comparative method of multipliers	-	-	5,314
Investments into INVL Technology	Market price	2,978	2,521	2,512
Investment into investment fund through subsidiary*	Fair value of net assets	-	8,498	6,399
Investments into Litagra, UAB (including loans granted)	Comparative method of multipliers	15,371	9,972	12,223
Investments into Šiauliai Bank	Market price	11,505	18,111	13,212
Investments into Inservis, UAB (including loans granted)	Comparative method of multipliers	4,921	3,579	3,996
Other listed shares	Market price	901	1,560	-
Investments into other subsidiary companies (including loans granted)	Fair value of net assets	965	1,917	834
Other loans, other assets	Book value	676	940	990
Cash and cash equivalents	Book value	384	1,050	670
Deferred income tax asset	Book value	164	-	-
Total assets	Book value	53,561	66,180	66,673
Liabilities	Book value	880	2,184	1,169
Net asset value	Book value	52,681	63,996	65,504
Net asset value per share	Book value	4.55	5,53	5,67

* This amount is reflected in the Company's balance of 2018 as part of the receivables from the subsidiary

Financial ratios

	Company's			Group's		
	2016	2017	2018	2016	2017	2018
Return on Equity (ROE), %	9.46	19.38	0.53	9.46	19.38	0.53
Debt ratio	0.02	0.03	0.02	0.03	0.05	0.05
Debt – Equity ratio	0.02	0.03	0.02	0.03	0.05	0.05
Liquidity ratio	2.15	3.32	15.60	3.53	4.39	4.66
Earnings per share (EPS), EUR	0.41	0.98	0.03	0.41	0.98	0.03
Price Earnings ratio (P/E)	9.42	5.42	158.43	9.42	5.42	158.43

The Company publishes Alternative performance measures (AVR), that are in use of the Company, provides indicators definitions. All the information is disclosed in the Company's web site section „Intestor relations" → „Reports" → „Formulas for performance indicators.

https://invaldainvl.com/lit/en/investor-relations/reports/formulas-of-performance-indicators

Invalda INVL, AB is an asset management and investment company. The significant impact for the profit of the company has investments recalculation by the true value as well as acquisition and selling deals, therefore not all company performance indicators are suitable for the evaluation of Invalda INVL, AB. Furthermore, investments into main asset management business are recorded at equity method, therefore book value may be different from the market price. That is why some ratios can show not real situation of the company.

4. Information on the group's activities

4.1. Asset Management business

INVL ASSET MANAGEMENT | INVL ASSET MANAGEMENT | INVL FMĮ INVL FINASTA | INVL FARMLAND MANAGEMENT | MUNDUS

Invalda INVL manages the licensed asset management companies INVL Asset Management in Lithuania and Latvia, the financial brokerage company INVL Finasta and the land administration company INVL Farmland Management. At the beginning of February 2018, INVL Asset Management acquired a 51 percent stake in Mundus, a management company

In 2018 a significant part of the capital markets were negative, and therefore some of the funds managed by INVL were negative. However, there were a number of positive changes in asset management last year.

In the beginning fo the reporting period INVL Asset Management has launched a new mutual fund – the INVL Absolute Return Subfund – which is able to invest in diverse asset classes without restrictions on the proportions of the fund's assets that may be allocated, at times thus even reaching 100% equity or 100% bonds.

INVL Baltic Forest Fund I has completed its second distribution and has attracted EUR 10 million for the acquisition of forest.

In October 2018, Invalda INVL with its customers, who invested EUR 4.5 million through the INVL Special Opportunities Fund, and an international consortium of the European Bank for Reconstruction and Development and private equity manager Horizon Capital completed the transaction and acquired 41 percent of Moldova's largest commercial bank Moldova-Agroindbank.

In June 2018 launched a new closed-end mutual fund intended for professional investors: the INVL Baltic Sea Growth Fund. The fund will seek to form a diversified portfolio of Baltic Sea region companies. The fund's target size is EUR 200 million. During the first distribution stage, EUR 106 million was attracted and the fund became the largest private equity investment fund in the Baltic States. Invalda INVL will invest EUR 19.15 million in the INVL Baltic Sea Growth Fund. It is provided that the capital committed to the fund will be called in stages, for the execution of specific transactions. After the

investment in the INVL Baltic Sea Growth Fund is made, Invalda INVL undertakes not to invest in private equity assets that comply with the fund's strategy and to conduct its main investment activity through this fund.

In 2018, a reform of the Lithuanian pension system was announced, which will reduce the management fee and management income by 50 percent within three years. Decreasing income is expected to be offset by the growth in the number of customers and the assets under management.

In December 2018 INVL Asset Management has established 2nd pillar pension funds based on a life-cycle investment strategy. The company offers to accumulate in these funds from the beginning of 2019. The new funds were established on the basis of reform to the country's pension system, according to which as of 2019 people will accumulate in the 2nd pillar in life-cycle funds. People accumulating in life-cycle funds no longer have to worry about changing funds – the funds themselves will change their investment strategy based on participants' age, thus avoiding accumulation in a fund with an unsuitable investment strategy as it was not changed according to age.

Results of the asset management

EUR million (if not stated otherwise)	2017			2018		
	Lithuania	Latvia	**Total**	Lithuania	Latvia	**Total**
Number of clients, units	139.2	51.4	190.6	150.4	51.9	202.3
Asset under management*	533.7	77.8	611.5	600.3	75.1	675.4
2nd pillar pension funds	312.0	62.0	374	353.3	69.3	422.6
3rd pillar pension funds	21.1	1.2	22.3	23.9	1.2	25.1
Investment funds	87.4	-	87.4	66.3	-	66.3
Portfolios	43.7	0.2	43.9	52.0	-	52.0
Alternative assets	69.5	14.4	83.9	104.8	4.6	109.4
Revenues	6.0	1.1	7.1	6.9	0.5	7.4
Profit (loss) before tax, EUR thousand**	253	226	479	(648)	(32)	(680)

*eliminated investments into own products, for which management fee is not charged
** according to accounting data of Invalda INVL

Number of employees

Number of employees	2016	2017	2018
-	80	96	121

4.2. Other major investments

Company	Activity	Directly owned shares 31.12.2018, %	Value of the owned shares 31.12.2018, thous. EUR	Profit (loss) from investment
General partner investments				
BALTIC REAL ESTATE www.invlbalticrealestate.com	Investments in commercial real estate company, acting as a closed-end investment company.	32.29	10.3	0.7
MAIB Moldova Agroindbank www.maib.md	The largest commercial bank in Moldova providing a full range of financial services	7.9	5.3	0.6
TECHNOLOGY www.invltechnology.com	Investments in information technology company, acting as a closed-end investment company.	14.33	2.5	(0.09)
Other historical investments				
LITAGRA www.litagragroup.lt	Primary agricultural production company that concentrates on agriculture - the cultivation of grain, milk and feed production.	40.98	12.2	2.25
ŠIAULIŲ BANKAS www.sb.lt	Lithuanian commercial bank providing financial services for business and private clients.	5.48	13.2	(3.1)
inservis PASTATŲ PRIEŽIŪRA www.inservis.lt	Facility Management companies group	100	4.0	0.95

5. Estimation of Issuer's and Group's activity last year and activity plans and forecasts

5.1. Evaluation of implementation of goals for 2018

In 2018, the goal of Invalda INVL group was to continue organic development, present new and significant investment opportunities to existing and new customers. Last year, the second stage of distribution of INVL Baltic Forest Fund I was successful. It attracted a maximum amount of EUR 10 million. In 2018 two funds for informed investors started their activity: INVL Special Opportunities Fund, which indirectly invests in shares of the largest Moldovan bank Moldova - Agroindbank, and INVL Baltic Sea Growth Capital Fund, which invests in INVL Baltic Sea Growth Fund established in June 2018 and provides an opportunity to invest indirectly in the latter fund for customers who meet the requirements of informed investors. As mentioned in paragraph 6.1. of this report, last year a closed-end investment fund for professional investors INVL Baltic Sea Growth Fund was established - a fund investing in business in the Baltic Sea region, aiming to

attract 200 million euros of investment. During the first stage of the distribution, EUR 106 million was attracted and the fund became the largest private equity investment fund in the Baltic States.

In 2018 we were actively working with Invalda INVL's investments. Changes made in individual companies, investments and improvements in performance already have a positive impact on the activity of specific businesses, and this must increase the value of companies in the future.

Although the profit of Invalda INVL was the lowest in recent years, we believe that the growth of asset management business, positive changes in managed companies and investments made in 2018 suggest that the year was important and has a positive impact on the Group's development and future results.

5.2. Activity plans and forecasts

The goal of Invalda INVL group is to ensure successful management of assets entrusted by customers, partners and shareholders. Therefore, traditionally, the focus will be on working with existing and new investments. Our ambition is that the products managed by the group are the best on the market and are usually chosen by investors in individual categories.

We will continue to invest in the development of asset management business, focusing on product quality and convenience, and expecting continuing quick growth of the managed funds. The main priorities of 2019 include effective and economically based participation in ongoing pension funds reform and the successful capital raising and making the first investments by INVL Baltic Sea Growth Fund.

First of all, as we grow organically, we are actively looking for opportunities for asset management business development and acquisitions. We will continue to focus not on short-term financial goals, but on the qualitative and quantitative growth of asset management business and the creation of long-term value for our customers, partners and stakeholders.

The most significant impact on Invalda INVL's result is the change in the value of own investments. We understand this and, at the level of individual investments, we are doing specific work focused on increasing the return on these investments. We adhere to the policy that Invalda INVL's funds should be invested together with INVL customers. We believe that this creates an identity of interest and has a positive impact on mutual trust and long-term cooperation between stakeholders.

We strive for Invalda INVL to be the leading specialized asset management and investment group in Lithuania and one of the leading in the region.

III. Information About Securities

6. Information about Issuer’s authorised capital

6.1. Adjustments of the authorised capital

Information concerning adjustments of Invalda INVL, AB authorised capital during past 10 years is presented below:

- The reorganisation of Invalda, AB and one of the largest shareholders Nenuorama, AB was finished on 28 September 2007. Nenuorama, AB was merged with Invalda, AB. Changing Nenuorama, AB shares into Invalda, AB ones, 19,866,060 shares was issued. Following the terms of the reorganisation 22,305,587 Invalda, AB shares held by Nenuorama, AB were annulled. After reorganisation the authorised capital of Invalda, AB amounted to EUR 12.3 million.
- The share capital of Invalda, AB was increased till EUR 14.96 million after conversion of EUR 14.48 million bonds.
- The share capital of Invalda, AB was increased by EUR 1.7 million till EUR 16.67 million after conversion of EUR 2.15 million and EUR 7.24 million convertible bonds.
- On 6 August 2012 the share capital of Invalda, AB was decreased till EUR 15 million. The authorised capital of Invalda, AB decreased due to cancelling of own shares acquired by the company.

- The amended Articles of Association of Invalda, AB were registered with the Register of Legal Entities on 31 May 2013. The Articles of Association were amended due to split-off of the company and stated a new name of the company – public joint-stock company Invalda LT as well as a reduced authorized capital due to the split-off procedure. The authorised capital of Invalda LT, AB was EUR 7.19 million.
- The amended Articles of Association of Invalda LT, AB were registered with the Register of Legal Entities on 29 April 2014. The Articles of Association were amended due to split-off of the company. After the completion of the split-off of Invalda LT, the authorised capital was EUR 3.44 million and was divided into 11,865,993 ordinary registered shares.
- The amended Articles of Association were registered with the Register of Legal Entities on 11 May 2015. According to amended Articles of Association the name of the company was changed into Invalda INVL, AB. The authorised capital was recounted into EUR and makes EUR 3,441,137.97. It is divided into 11,865,993 ordinary registered shares with nominal value EUR 0.29 each.

6.2. Structure of the authorized capital

Structure of Invalda INVL, AB authorised capital as of 31 December 2018.

Type of shares	Number of shares, units	Number of own shares that doesn't grant voting rights	Nominal value, EUR	Total nominal value, EUR	Portion of the authorised capital, %
Ordinary registered shares	11,865,993	305,856	0.29	3,441,137.97	100

All shares are fully paid-up, and no restrictions apply on their transfer.

Invalda INVL group manages asset management company INVL Asset Management (through it – asset management company Mundus) and financial brokerage company INVL Finasta. According to Lithuanian law, a natural or legal person (or persons acting in concert), indirectly willing to acquire or increase their shareholding in an asset management company (more than 20, 30 or 50 percent), have to obtain a decision from the Bank of Lithuania not to object this acquisition. This means that investors, willing to acquire more than 20 percent shareholding in Invalda INVL, AB, can do so only with a prior decision from the Bank of Lithuania.

Invalda INVL also owns asset management company INVL Asset Management in Latvia (through it – INVL atklatais pensiju fonds", mananign 3rd pillar pension funds in Latvia), therefore according to Latvian Financial and Capital Market Commission restrictions under acquisition of the shareholding in Invalda INVL must be fulfilled as well.

In addition, Invalda INVL group has indirectly invested in Moldova-Agroindbank, the largest commercial bank in Moldova, therefore the relevant requirements of the Central Bank of Moldova may also apply to the acquisition of block of shares in Invalda INVL.

6.3. Information about the Issuer's treasury shares

Since the beginning of 2018 until the release of the report, the company implemented own share acquisition process for one time.
Share purchase started on 7 May 2018. Share purchase ended on 21 May 2018. Max number of shares to be acquired (units): 200,000. The company acquired 3,396 units of own shares (0.03 percent), EUR 18,779.88 (without brokerage fee) were paid for the acquired shares. The price of one share was EUR 5.53. The authorised capital of Invalda INVL is EUR 3,441,137.97. It is divided into 11,865,993 ordinary registered shares with nominal value EUR 0.29 each. Taking into consideration the fact that the shares own by the company does not give the voting rights, the total amount of shares with voting rights in Invalda INVL, AB (ISIN LT0000102279) equals to 11,560,137 units.

7. The order of amendment of Issuer's Articles of Association

The Articles of Association of Invalda INVL, AB may be amended by resolution of the General Shareholders' Meeting, if the decision is passed by more than 2/3 of votes (except in cases provided for by the Law on Companies of the Republic of Lithuania).
On 14 May 2018, the new Articles of Association of Invalda INVL were registered with the Register of Legal Entities. This draft Articles of Association were approved by the shareholders at the Ordinary General Meeting of Shareholders on 30 April 2018. The Articles of Association were amended by implementing the provisions of the relevant wording of Law on Companies.
Actual wording of the Articles of Association is dated as of 14 May 2018. The document is published on the company's website.

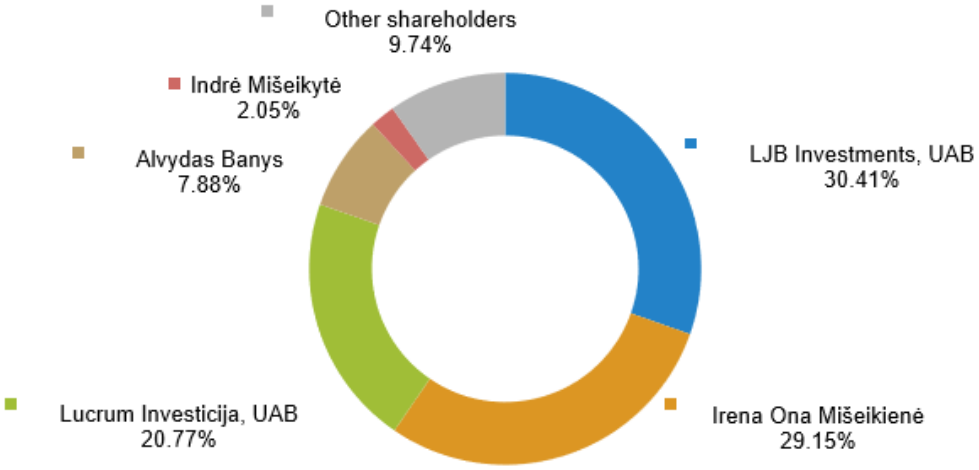
8. Shareholders

8.1. Information about shareholders of the company

The Shareholders of Invalda INVL, AB Alvydas Banys, LJB Investments, UAB, Irena Ona Mišeikienė, Indrė Mišeikytė, Darius Šulnis, Lucrum investicija, UAB, have signed the agreement on the implementation of a long-term corporate governance policy, so their votes are countable together.

Shareholders who held title to more than 5% of Invalda INVL authorised capital and/or votes 31 December 2018

Name of the shareholder or company	Number of shares held by the right of ownership, units	Share of the authorised capital held, %	Share of the votes, %		
			Share of votes given by the shares held by the right of ownership, %	Indirectly held votes, %	Total (together with the persons acting in concert), %
LJB Investments. UAB code 300822575, Juozapavičiaus str. 9A, Vilnius	3,515,855	29.63	30.41	59.85	90.26
Irena Ona Mišeikienė	3,369,435	28.40	29.15	61.11	
Darius Šulnis	0	0.00	0.00	90.26	
Lucrum Investicija, UAB code 300806471. Gynėjų str. 14, Vilnius	2,401,442	20.24	20.77	69.49	
Alvydas Banys	910,875	7.68	7.88	82.38	
Indrė Mišeikytė	236,867	2.00	2.05	88.21	



Votes as of 31 December 2018

There are no shareholders entitled to special rights of control.

Invalda INVL, AB has no knowledge of any restriction on voting rights or mutual agreements between the shareholders that might result in the restriction of shares transfer and (or) voting rights. There are no agreements to which the Issuer is a party and which would come into effect of being amended or terminated in case of change in the Issuer‘s control in 2018. At the end of 2018 the total number of shareholders was 3,423.

8.2. Rights and obligations carried by the shares

8.2.1. Rights of the shareholders

The Company’s shareholders have the following property and non-property rights:

1) to receive a part of the Company's profit (dividend);
2) to receive the company’s funds when the authorised capital of the company is reduced with a view to paying out the company’s funds to the shareholders;
3) to receive a part of assets of the company in liquidation;
4) to receive shares without payment if the authorised capital is increased out of the Company funds. except in cases provided by the laws of the Republic of Lithuania;

5) to have the pre-emption right in acquiring shares or convertible debentures issued by the Company. except in cases when the General Shareholders' Meeting in the manner prescribed in the Law on Companies of the Republic of Lithuania decides to withdraw the pre-emption right in acquiring the Company's newly issued shares or convertible debentures for all the shareholders;
6) to lend to the company in the manner prescribed by law; however, when borrowing from its shareholders, the company may not pledge its assets to the shareholders. When the company borrows from a shareholder, the interest may not be higher than the average interest rate offered by commercial banks of the locality where the lender has his place of residence or business, which was in effect on the day of conclusion of the loan agreement. In such a case the company and shareholders shall be prohibited from negotiating a higher interest rate;
7) other property rights provided by laws;
8) to attend the General Shareholders' Meetings;
9) to submit to the Company in advance the questions connected with the issues on the agenda of the General Meeting of Shareholders;
10) to vote at the General Shareholders' Meetings according to voting rights carried by their shares;
11) to receive information on the Company specified in the Law on Companies of the Republic of Lithuania;
12) to appeal to the court for reparation of damage resulting from nonfeasance or malfeasance by the Company's manager and the Board members of their obligations prescribed by the Law on Companies of Republic of Lithuania and other laws of the Republic of Lithuania and the Company's Articles of Association as well as in other cases laid down by laws;
13) other non-property rights established by laws and the Company's Articles of Association.

8.2.2. Obligations of the shareholders

The shareholders have no property obligations to the Company, except for the obligation to pay up, in the established manner, all the shares subscribed for at their issue price.

If the General Shareholders' Meeting takes a decision to cover the losses of the Company from additional contributions made by the shareholders, the shareholders who voted "for" shall be obligated to pay the contributions. The shareholders who did not attend the General Shareholders' Meeting or voted against such a resolution shall have the right to refrain from paying additional contributions.

A person who has acquired all the shares of a company or has acquired a part of the shares of a public limited company from the shareholder of this company shall notify the company no later than 5 days after the conclusion of the transaction. The notice must include the number of shares acquired, including the number of shares by class, where the shares of the different classes are acquired, their nominal value and the identity of the person transferring and acquiring the shares (name, surname, personal identity number and place of residence or address of the natural person; name, legal form, code and registered office and name, surname, personal code, place of residence or address of the legal representative). The notice shall be accompanied by a document confirming the acquisition of the shares or an extract thereof. If a document is provided, it must include the parties to the transaction, the subject of the transaction and the date of acquisition of the shares.

Contracts between the company and holder of all its share shall be executed in a simple written form unless the Civil Code prescribes the mandatory notarised form.

A shareholder shall repay the Company any dividend paid out in violation of the mandatory norms of the Law on Companies, if the Company proves that the shareholder knew or should have known thereof.

Each shareholder shall be entitled to authorise a natural or legal person to represent him when maintaining contacts with the Company and other persons.

9. Dividends

The General Shareholders' Meeting decides upon dividend payment and sets the amount of dividends. The company pays out the dividends within 1 month after the day of adoption of the resolution on profit distribution.

Persons have the right to receive dividends if they were shareholders of the company at the end of the tenth working day after the day of the General Shareholders' Meeting which issued the resolution to pay dividends. According to the Law on Personal Income Tax and the Law on Corporate Income Tax starting from 2014 15 % tax is applied to the dividends. The company is responsible for calculation, withdrawn and transfer (to the benefit of the State) of applicable taxes[1].

The company did not allocate dividends during the reporting period. Information about allocation of dividends since the establishment of the company is presented on the company's web page.

Ratios related with shares.

	2016	2017	2018
Net Asset Value per share, EUR	4.55	5.53	5.67
Price to book value (P/Bv)	0.85	0.96	0.83

[1]This information should not be treated as tax consultation.

10. Trading in Issuer's securities as well as securities of the group companies'

10.1. Trading in Issuer's securities

Main characteristics of Invalda INVL, AB shares admitted to trading

Shares issued, units	11,865,993
Shares with voting rights, units	11,560,137
Nominal value	0.29 EUR
Total nominal value	3,441,317.97 EUR
ISIN code	LT0000102279
LEI code	52990001IQUJ710GHH43
Name	IVL1L
Exchange	Nasdaq Vilnius
List	Baltic Secondary list Baltic Main List (from 1 January 2008 until 20 July 2015)
Listing date	19 December 1995

Company uses no services of liquidity providers.

Trading in Invalda INVL, AB shares

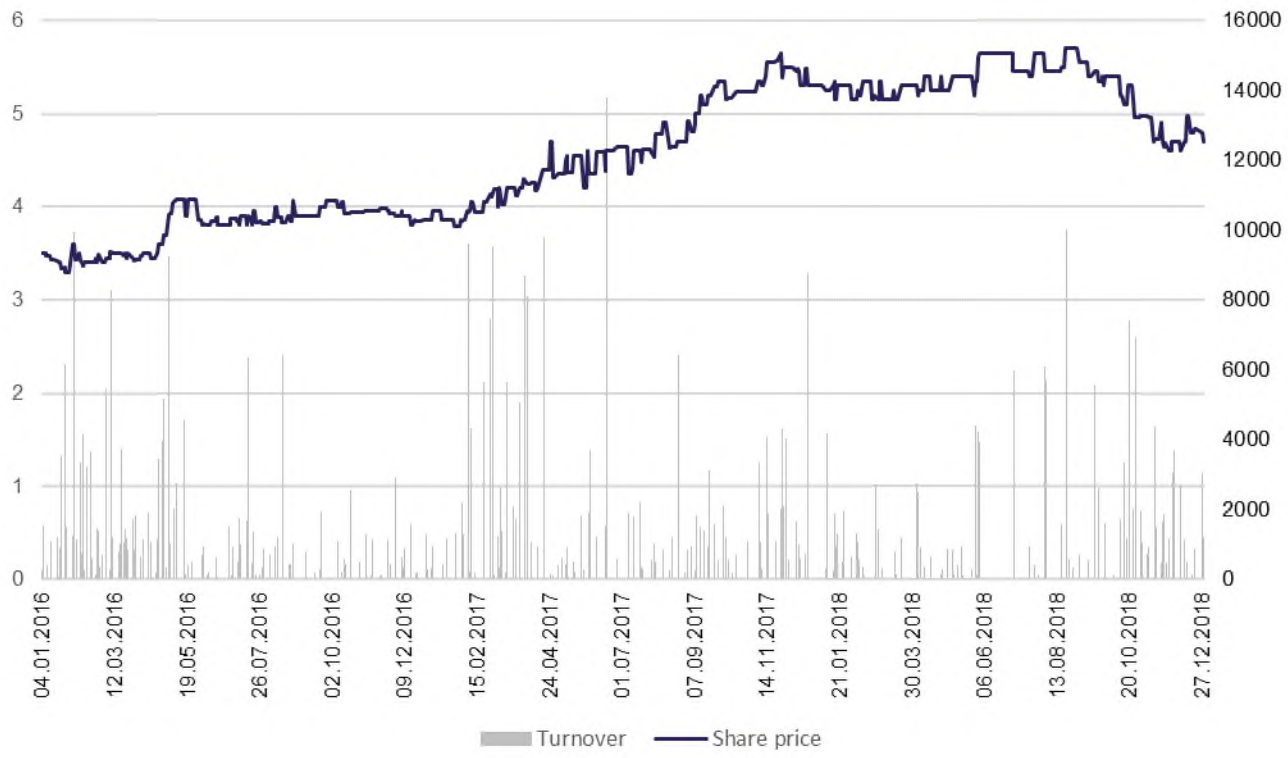
	2016	2017	2018
Share price, EUR			
- open	3.46	3.86	5.30
- high	4.08	5.65	5.70
- low	3.26	3.79	4.60
- medium	3.77	4.65	5.28
- last	3.86	5.30	4.70
Turnover, units	48,837	46,514	28,181
Turnover, EUR	178,190	209,268	146,295
Traded volume, units	322	251	210

Trading in the company's shares during the period of 2016–2018 (quarterly) on Nasdaq Vilnius:

Reporting period	Price, €			Last trading date	Total turnover	
	high	low	last		units	€
2016, 1st Q	3.60	3.26	3.43	31.03.2016	24,762	85,437
2016, 2nd Q	4.08	3.43	3.87	30.06.2016	11,848	45,092
2016, 3rd Q	4.07	3.80	4.07	30.09.2016	7,573	29,404
2016, 4th Q	4.07	3.80	3.86	30.12.2016	4,654	18,257
2017, 1st Q	4.30	3.79	4.30	31.03.2017	20,468	83,436
2017, 2nd Q	4.70	4.61	4.65	30.06.2017	10,995	48,449
2017, 3rd Q	5.34	4.35	5.34	29.09.2017	6,449	31,087
2017, 4th Q	5.64	5.15	5.30	29.12.2017	8,584	46,296
2018, 1st Q	5.35	5.15	5.30	29-03-2018	4,369	22,814
2018, 2nd Q	5.65	5.20	5.65	29-06-2018	4,436	23,963
2018, 3rd Q	5.70	5.20	5.40	28-09-2018	7,985	43,462
2018, 4th Q	5.40	4.60	4.70	28-12-2018	11,391	56,056

Capitalisation

Last trading date	Number of votes. units	Last price. €	Capitalisation. €
31.03.2016	11,865,993	3.43	40,700,356
30.06.2016	11,586,609	3.87	44,840,177
30.09.2016	11,586,609	4.07	47,157,499
30.12.2016	11,586,609	3.86	44,724,311
31.03.2017	11,586,609	4.30	49,822,419
30.06.2017	11,563,533	4.65	53,770,428
29.09.2017	11,563,533	5.34	61,749,266
29.12.2017	11,563,533	5.30	61,286,725
2018-03-29	11 563 533	5,30	61 286 725
2018-06-29	11 560 137	5,65	65 314 774
2018-09-28	11 560 137	5,40	62 424 740
2018-12-28	11 560 137	4,70	54 332 644



Turnover of Invalda INVL. AB shares and share price

10.2. Trading in securities of the group companies'

Shares of subsidiary companies of Invalda INVL, forming the group, are not traded on stock exchanges. INVL Baltic Real Estate, INVL Technology and Siaulių Bankas, companies Invalda INVL invested in, are listed on Nasdaq Vilnius stock exchange.

10.2.1. Information about trading in INVL Baltic Real Estate shares

Main characteristics of INVL Baltic Real Estate shares admitted to trading

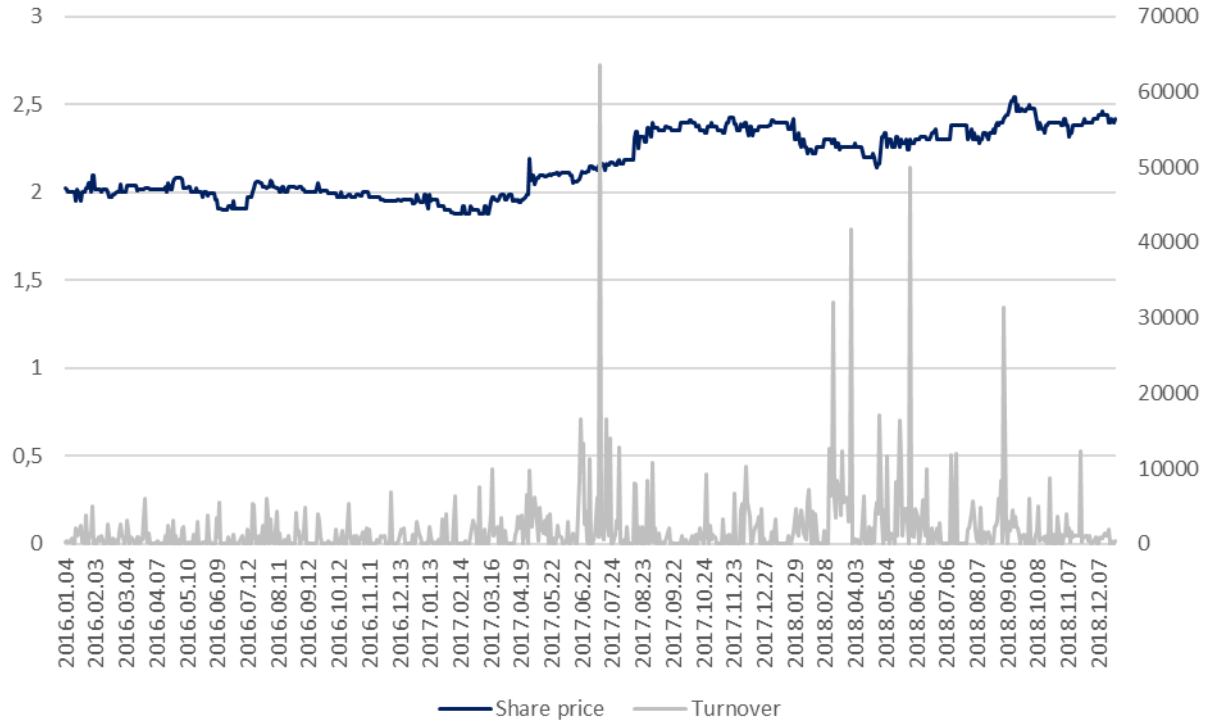
ISIN code	LT0000127151
Name	INR1L
Exchange, list	Nasdaq Vilnius, Baltic Secondary list
Listing date	4 June 2014
Shares issued, units*	13,150,000
Nominal value, EUR*	1.45
Total nominal value, EUR	19,067,500

* Since 15 January 2018

Trading in INVL Baltic Real Estate shares, EUR

	2016	2017	2018
Share price, EUR			
- open	0.399	0.388	0.475
- high	0.447	0.485	2.56
- low	0.380	0.375	0.476
- last	0.388	0.475	2.42
Turnover, units	491,425	1,200,986	295,380
Turnover, EUR	197,175.25	511,271.04	663,917.14
Traded volume, units	382	565	594

On 15 January 2018, the Articles of Association registered by increasing the nominal value of the share to EUR 1.45; the price of the shares is not recalculated



INVL Baltic Real Estate share price and turnover

10.2.2. Information about trading in INVL Technology shares

Main characteristics of INVL Technology shares admitted to trading

ISIN code	LT0000128860
Name	INC1L
Exchange, list	Nasdaq Vilnius, Baltic Secondary list
Listing date	4 June 2014
Shares issued, units	12,175,321
Nominal value, EUR	0.29
Total nominal value, EUR	3,530,843.09

Trading in INVL Baltic Real Estate shares, EUR

	2016	2017	2018
Share price, EUR			
- open	2.01	1.76	1.49
- high	2.07	1.76	1.70
- low	1.75	1.49	1.43
- last	1.76	1.49	1.44
Turnover, units	65,075	101,324	367,226
Turnover, EUR	110,836	162,698	575,934
Traded volume, units	307	364	336

INVL Technology share price and turnover

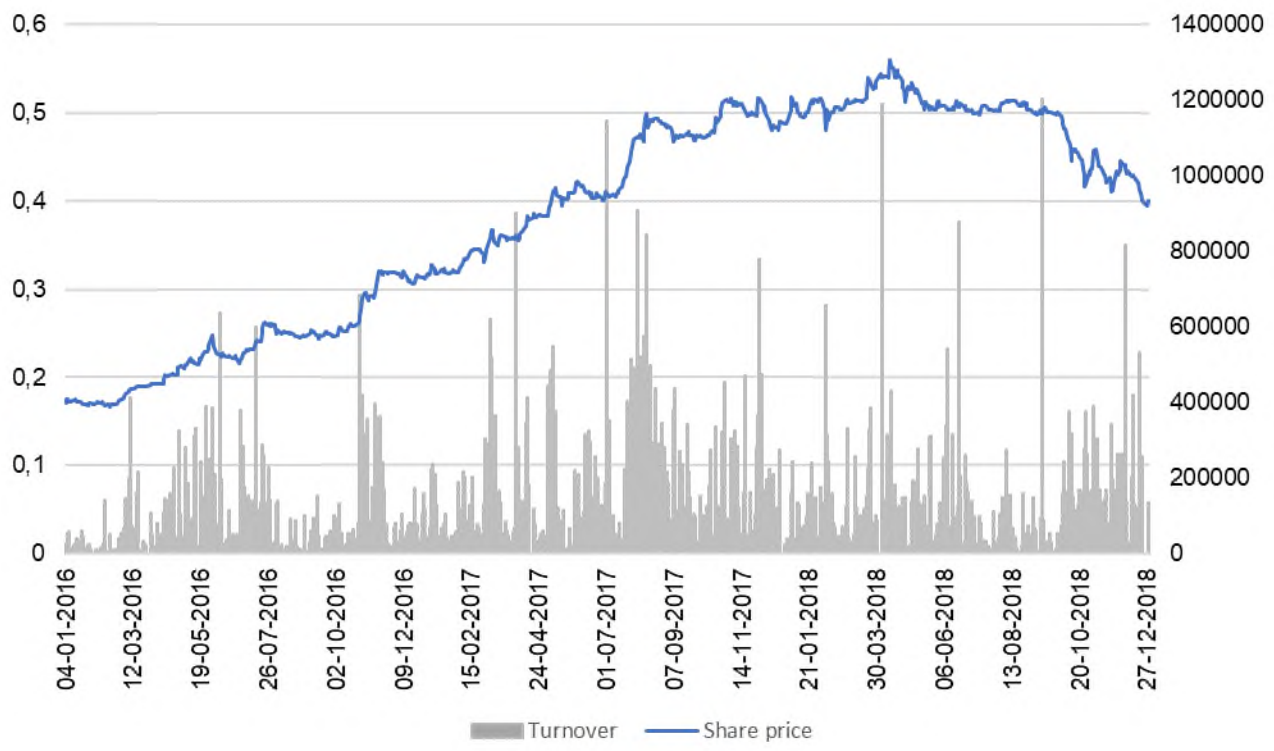
10.2.3. Information about trading in Šiaulių Bankas shares

Main characteristics of Šiaulių Bankas shares admitted to trading

ISIN code	LT0000102253
Name	SAB1L
Exchange, list	Nasdaq Vilnius, Baltic Main list
Listing date	29 November 1994
Shares issued, units	600,726,263
Nominal value, EUR	0.29
Total nominal value, EUR	174,210,616.27

Trading in Šiaulių Bankas shares, EUR

	2016	2017	2018
Share price, EUR			
- open	0.298	0.448	0.590
- high	0.469	0.627	0.658
- low	0.262	0.448	0.391
- last	0.449	0.589	0.401
Turnover, units	65,709,337	82,944,561	68,675,469
Turnover, EUR	23,120,252	44,524,471	34,711,624



Šiaulių Bankas share price and turnover

IV. Issuer's Managing Bodies

11. Structure. authorities. the procedure for appointment and replacement

The governing bodies of Invalda INVL, AB are: the General Shareholders' Meeting. sole governing body – the President. and a collegial governing body – the Board. The Supervisory Board is not formed.

11.1. General Shareholders' Meeting

11.1.1. Powers of the General Shareholders' Meeting

Persons who were shareholders of the Company at the close of the accounting day of the meeting (the 5th working day before the General Shareholders' Meeting) shall have the right to attend and vote at the General Shareholders' Meeting in person. unless otherwise provided for by laws. or may authorise other persons to vote for them as proxies or may conclude an agreement on the disposal of the voting right with third parties. The shareholder's right to attend the General Shareholders' Meeting shall also cover the right to speak and enquire.

The General Shareholders' Meeting may take decisions and shall be held valid if attended by the shareholders who hold the shares carrying not less than ½ of all votes. After the presence of a quorum has been established. the quorum shall be deemed to be present throughout the General Shareholders' Meeting. If a quorum is not present. the General Shareholders' Meeting shall be considered invalid and a repeat General Shareholders' Meeting must be convened, which shall be authorised to take decisions only on the issues on the agenda of the General Shareholders' Meeting that has not been held and to which the quorum requirement shall not apply.

An Annual General Shareholders' Meeting must be held every year at least within 4 months from the close of the financial year.

The General Shareholders' Meeting shall have the exclusive right to:

- amend the Articles of Association of the Company. unless otherwise provided for by the Law on Companies of the Republic of Lithuania;
- change registered office of the company;
- elect members of the Board;
- dismiss the Board or its members;
- elect and dismiss the firm of auditors. set the conditions for auditor remuneration;
- determine the class. number. nominal value and the minimum issue price of the shares issued by the Company;
- take a decision regarding conversion of shares of one class into shares of another class. approve share conversion procedure;
- take a decision to replace private limited liability company share certificates by shares;
- approve the annual accounts and the report on company operations;
- take a decision on profit/loss appropriation;
- take a decision on the formation. use. reduction and liquidation of reserves;
- to approve the set of interim financial statements for the purpose of making a decision on the allocation of dividends for a period shorter than the financial year;
- decide on the allocation of dividends for a period shorter than the financial year;
- take a decision on the issue of convertible debentures;
- take a decision on withdrawal for all the shareholders the pre-emption right to acquire the Company's shares or convertible debentures of the specific issue;
- take a decision to increase the authorised capital;

- take a decision to reduce the authorised capital. except the cases provided for by the Law on Companies of the Republic of Lithuania;
- take a decision for the Company to purchase its own shares;
- take a decision to approve rules on giving stock options to employees and /or members of the bodies;
- take a decision on the reorganisation or split-off of the Company and approve the terms of reorganisation or split-off, except the cases provided for in the Law on Companies of the Republic of Lithuania;
- take a decision on transformation of the Company;
- take decisions on company restructuring in the cases provided for in the Law on Restructuring of Enterprises;
- take a decision to liquidate the Company. cancel the liquidation of the Company. except the cases provided by the Law on Companies of the Republic of Lithuania;
- elect and dismiss the liquidator of the Company. except the cases provided by the Law on Companies of the Republic of Lithuania.

The General Shareholders' Meeting may also decide on other matters assigned within the scope of its powers by the Articles of Association of the Company, unless these have been assigned under the Law on Companies of the Republic of Lithuania within the scope of powers of other organs of the Company and provided that. in their essence, these are not the functions of the governing bodies.

11.1.2. Convocation of the General Shareholders' Meeting of Invalda INVL, AB

The documents related to the agenda, draft resolutions on every item of agenda, documents what have to be submitted to the General Shareholders Meeting and other information related to realization of shareholders rights are available at the registered office of the Company during working hours or on company's website www.invaldainvl.com.

The shareholders are entitled: (i) to propose to supplement the agenda of the General Shareholders Meeting submitting draft resolution on every additional item of agenda or, than there is no need to make a decision - explanation of the shareholder (this right is granted to shareholders who hold shares carrying at least 1/20 of all the votes). Proposal to supplement the agenda is submitted in writing sending the proposal by registered mail to the Company at Gyneju str. 14, Vilnius, Lithuania, or delivered in person to the representative of the Company or by sending proposal to the Company by email info@invaldainvl.com. The agenda is supplemented if the proposal is received no later than 14 before the General Shareholders Meeting; (ii) to propose draft resolutions on the issues already included or to be included in the agenda of the General Shareholders Meeting at any time prior to the date of the General Shareholders meeting (in writing sending the proposal by registered mail to the Company at Gyneju str. 14, Vilnius, Lithuania, or delivered in person to the representative of the Company or by sending proposal to the Company by email info@invaldainvl.com) or in writing during the General Shareholders Meeting (this right is granted to shareholders who hold shares carrying at least 1/20 of all the votes); (iii) to submit questions to the Company related to the issues of agenda of the General Shareholders Meeting in advance but no later than 3 business days prior to the General Shareholders Meeting in writing sending the proposal by registered mail to the Company at Gyneju str. 14, Vilnius, Lithuania, or delivered in person to the representative of the Company or by sending proposal to the Company by email info@invaldainvl.com. The company reserves the right to answer to those shareholders of the Company who can be identified and whose questions are not related to the company's confidential information or commercial secrets.

Shareholder participating at the General Shareholders Meeting and having the right to vote must submit documents confirming personal identity. Each shareholder may authorize either a natural or a legal person to participate and to vote on the shareholder's behalf at the General Shareholders Meeting. A power of attorney issued by a natural person must be certified by a notary. The representative has the same rights as his represented shareholder at the General Shareholders Meeting. The authorized persons must have documents confirming their personal identity and power of attorney approved in the manner specified by law which must be submitted to the Company no later than before the commencement of registration for the General Shareholders Meeting. A power of attorney issued in a foreign state must be translated into Lithuanian and legalised in the manner established by law. The Company does not establish special form of power of attorney.
Shareholder is entitled to issue power of attorney by means of electronic communications for legal or natural persons to participate and to vote on its behalf at the General Shareholders Meeting. No notarisation of such authorization is required.

The power of attorney issued through electronic communication means must be confirmed by the shareholder with a safe electronic signature developed by safe signature equipment and approved by a qualified certificate effective in the Republic of Lithuania. The shareholder shall inform the Company on the power of attorney issued through the means of electronic communication by e-mail breinfo@invl.com not later than on the last business day before the General Shareholders Meeting. The power of attorney and notification must be issued in writing and could be sent to the Company by communication means if the transmitted information is secured and the shareholder's identity can be identified.

The Company is not providing the possibility to attend and vote at the General Shareholders Meeting through electronic means of communication.

Shareholder or its representative may vote in writing by filling general voting bulletin, in such a case the requirement to deliver a personal identity document does not apply. The form of general voting bulletin is presented at the Company's webpage www.invaldainvl.com section For Investors.

If shareholder requests, the Company shall send the general voting bulletin to the requesting shareholder by registered mail or shall deliver it in person against signature no later than 10 days prior to the General Shareholders Meeting free of charge. The filled general voting bulletin must be signed by the shareholder or its authorized representative. Document confirming the right to vote must be added to the general voting bulletin if authorized person is voting. The filled general voting bulletin must be sent by the registered mail to the Company at Gyneju str. 14, Vilnius, Lithuania, or delivered in person to the representative of the Company no later than the day before of the General Shareholders Meeting

In 2018 2 (two) shareholders' meetings of Invalda INVL were held. The Ordinary General Meeting of Shareholders of Invalda INVL AB was held on 30 April 2018. During the meeting, the consolidated annual report of Invalda INVL and the auditor's report on the financial statements of Invalda INVL were discussed. The financial statements of Invalda INVL, distribution of profits, terms of own shares purchase and the issue of the number of ordinary registered shares of Invalda INVL, for which employees are offered option contracts in 2018 and share prices were also approved. In addition, the Board of the Company was re-elected for the next term, the Articles of Association were amended and the rules for the granting of shares were approved. On 9 November 2018, it was decided to elect PricewaterhouseCoopers to audit the 2018 annual financial statements.

11.2. The Board

11.2.1. Powers of the Board

The Board shall continue in office for the 4-year period or until a new Board is elected and commences its activities, but not longer than until the date of the Annual General Shareholders' Meeting to be held during the final year of the term of office of the Board. If individual members of the Board are elected. they shall serve only until the expiry of the term of office of the current Board.

The Board or its members shall commence their activities after the close of the General Shareholders' Meeting which elected the Board or its members. Where the Articles of Association of the Company are amended due to the increase in the number of its members. newly elected members of the Board may commence their activities solely from the date of registration of the amended Articles of Association. The Board shall elect the chairman of the Board from among its members.

The General Shareholders' Meeting may dismiss from the office the entire Board or its individual members (as well as the Chairman of the Board) before the expiry of their term of office. A member of the Board may resign from his post before the expiry of his term of office, notifying the Board in writing at least 14 calendar days in advance.

The Board shall have all authorities provided for in the Articles of Association of the Company as well as those assigned to the Board by the laws. The activities of the Board shall be based on collegial consideration of issues and decision-making as well as shared responsibility to the General Shareholders' Meeting for the consequences of the decisions made. Striving for as big benefit for the Company and shareholders as possible and in order to ensure the integrity and transparency of the control system, the Board closely cooperates with the manager of the Company. The working procedure of the Board shall be laid down in the rules of procedure of the Board adopted by it.

The Board discusses and approves the issues set forth in the Law on Companies of the Republic of Lithuania.

The Board shall analyse and assess a set of Company's and consolidated annual financial statements and draft of profit/loss appropriation and shall submit them to the General Shareholders' Meeting together with the annual report of the Company.

The Board shall consider and approve the company's business strategy, analyse and evaluate information about the company's business strategy, the following information is provided to the Annual General Meeting.

It shall be the duty of the Board to convene and organise the General Shareholders' Meetings in due time.

Members of the Board must keep commercial secrets of the Company and confidential information which they obtained while holding the office of members of the Board.

11.2.2. Procedure of work of the Board

The order of the formation of the Board of the company should ensure objective. impartial and fair representation of minority shareholders of the company: names and surnames of the candidates to become members of the Board of the company. information about their education. qualification. professional background. positions taken in supervisory and

management Boards of other companies. owned block of shares in other companies. larger than 1/20. potential conflicts of interest. information on whether the candidates are applied to administrative sanctions or punishment for violations / crimes against the economy. business policy. property. property rights and property interests. or do they have no obligations neither functions which would threaten the safe and reliable operations of the company. or whether candidates meet the legal requirements made for the Managers. are disclosed not later than 10 days prior the General Shareholders' Meeting in which the election of the Members of the Board is intended. so that the shareholders would have sufficient time to make an informed voting decision

In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the Board of the company are determined with regard to the company's structure and activities and are periodically evaluated once a year.

Any Member of the Board of the company must confound company's property with its own property and do not use it or information which they received while holding position as the Members of the Board for personal benefit or for the benefit of third party on other way than the General Shareholders Meeting and the Board allows it.

Any Member of the Board of the company within 5 (five) days must inform the Manager or the Chairman of the company on any subsequent changes in provided information that have been submitted for shareholders prior to the election of the Member of the Board. Changes in provided information are disclosed in the company's annual report.

Each Member of the Board actively participates in the Meetings of Board and devotes sufficient time and attention to perform his duties as the Member of the Board. Regulation of the work of the Board of the company settles the statements that if the Member of the Board attended the Meetings of the Board less than 2/3 times in the financial year, such information must be disclosed to shareholders in the General Shareholders' Meeting.

32 meetings of the Board of the company have been held in 2018. Alvydas Banys, Indrė Mišeikytė and Darius Šulnis are Members of the Board of Invalda INVL. All members of the Board attended all meetings either in person or by distance.

11.3. The President

The manager of the Company (the President) shall be elected and dismissed from office by the Board which shall also fix his salary. approve his job description. provide incentives and impose penalties. An employment contract shall be concluded with the President. The President shall assume office after the election. unless otherwise provided for in the contract concluded with him. If the Board adopts a decision on his removal from office. the employment contract therewith shall be terminated.

In his activities. the President shall be guided by laws and other legal acts. the Articles of Association of the Company. decisions of the General Shareholders' Meeting and the Board. his job description. The President is accountable to the Board.

The President shall organise daily activities of the Company. hire and dismiss employees. conclude and terminate employment contracts therewith. provide incentives and impose penalties.

The President shall act on behalf of the Company and shall be entitled to enter into transactions at his own discretion. The President may conclude the transactions to invest. dispose of or lease the fixed assets for the book value which exceeds 1/20 of the authorised capital of the Company (calculated individually for every type of transaction). to pledge or mortgage the fixed assets for the book value which exceeds 1/20 of the authorised capital of the Company (calculated for the total amount of transactions). to offer surety or guarantee for the discharge of obligations of third parties for the amount which exceeds 1/20 of the authorised capital of the Company, to acquire the fixed assets for the price which exceeds 1/20 of the authorised capital of the Company. provided there is a decision of the Board to enter into these transactions.

The President shall be responsible for:

- the organisation of activities and the implementation of objects of the company;
- the drawing up of the annual financial statements and annual report;
- drafting a decision on the issuance of dividends for a period shorter than the financial year, drawing up an interim financial report and preparing an interim report for the adoption of a decision on the allocation of dividends for a period shorter than the financial year. The interim report shall apply mutatis mutandis the provisions of the Law on Company Financial Accountability for the preparation and publication of the annual report.
- Drafting rules on giving stock options;
- the conclusion of the contract with the firm of auditors where the audit is mandatory or required under the Statutes of the company;
- the submission of information and documents to the General Meeting. the Supervisory Board and the Board in cases laid down in this Law or at their request;
- the submission of documents and particulars of the company to the administrator of the Register of Legal Persons;
- the submission of the documents of a public limited liability company to the Bank of Lithuania and the Central Securities Depository;
- the publication of information referred to in this Law in the daily indicated in the Statutes;

- reporting to the shareholders and the board about the most important events that are relevant to the company's activities;
- the submission of information to shareholders;
- the fulfilment of other duties laid down in this Law and other laws and legal acts as well as in the Statutes and the staff regulations of the manager of the company.

The President must keep commercial secrets and confidential information of the Company which he learned while holding this office.

12. Information about members of the Board. CFO and the Audit Committee of the Company

The Board of Invalda INVL, AB was re-elected during the Extraordinary General Shareholders' Meeting on 30 April 2018. Mr. Banys was elected as the Chairman of the Board. Mr. Šulnis and Ms. Mišeikytė were elected as the Members of the Board. Mr. Šulnis was appointed as the President of the company on 22 May 2013.

Alvydas Banys – Chairman of the Board

Term of office	From 2018 until 2022
Educational background and qualifications	Vilnius Gediminas Technical University. Faculty of Civil Engineering. Master in Engineering and Economics. Junior Scientific co-worker. Economic's Institute of Lithuania's Science Academy.
Work experience	Since 1 July 2013 Invalda INVL, AB - Advisor Since 2007 LJB Investments, UAB - Director Since 2007 LLB Property, UAB - Director 1996 – 2006 Invalda, AB - Vice President 1996 – 2007 Nenuorama, UAB - President
Owned number of shares in Invalda INVL, AB	Personally: 910,875 units of shares. 7.68 % of authorised capital and 7.88 % votes; together with controlled company LJB Investments: 4,426,730 units of shares. 37.31 % of authorized capital and 38.29 % votes. Total votes together with persons acting in concert - 90.26 %.
Participation in other companies	INVL Baltic Farmland, AB – Chairman of the Board Litagra, UAB – Member of the Board INVL Technology – Member of the Advisory Committee INVL Baltic Sea Growth Fund – Senior Adviser

Indre Mišeikytė – Member of the Board

The term of office	From 2018 until 2022
Educational background and qualifications	Vilnius Gedimino Technical University. Faculty of Architecture. Master in Architecture.
Work experience	Since May 2012 Invalda INVL, AB - Advisor Since June 2013 Invalda Privatus Kapitalas, AB - Advisor Since 2002 Inreal Valdymas, UAB - Architect 2000 – 2002 Gildeta, UAB - Architect 1997 – 2000 Kremi, UAB - Architect 1996 – 2002 Invalda, AB - Architect 1996 – 1997 Gildeta, UAB - Architect 1994 – 1996 Vilniaus Baldai, AB - Architect
Owned number of shares in Invalda INVL, AB	Personally: 236,867 units of shares. 2 % of authorised capital and 2.05 % votes. Total votes together with persons acting in concert - 90.26 %.
Participation in other companies	Invalda Privatus Kapitalas, AB – Member of the Board INVL Baltic Farmland, AB – Member of the Board INVL Technology – Member of the Advisory Committee

Darius Šulnis – Member of the Board, the President

The term of office in the Board	From 2018 until 2022
Educational background and qualifications	Duke University (USA). Business Administration. Global Executive MBA. Vilnius University. Faculty of Economics. Master in Accounting and Audit. Financial broker‘s license (general) No. A109.
Work experience	2006 – 2011 Invalda. AB – President. 2011 – 2013 Invalda. AB – Advisor. Since May 2013 Invalda INVL, AB – President. 2015 – 2017 - CEO of INVL Asset Management, UAB. 2002 – 2006 Invalda Real Estate, UAB (current name Inreal Valdymas) – Director 1994 – 2002 FBC Finasta, AB – Director
Owned number of shares in Invalda INVL, AB	Personally: 0 units of shares. 0.00 % of authorised capital and votes; together with controlled company Lucrum Investicija: 2,401,442 units of shares. 20.24 % of authorised capital, 20.77% of votes. Total votes together with persons acting in concert - 90.26 %.

Participation in other companies	INVL Asset Management, UAB – Chairman of the Board Litagra, UAB – Member of the Board Šiaulių Bankas AB – Member of the Supervisory Board INVL Baltic Sea Growth Fund – Managing Partner INVL Baltic Farmland, AB – Member of the Board

Raimondas Rajeckas – CFO

Educational background and qualifications	Vilnius University, Faculty of Economics. Master in Accounting and Audit.
Work experience	Since 2006 Invalda INVL, AB – CFO 2001 – 2006 Valmeda, AB – CFO 2000 – 2001 Galincius, AB – CFO 2000 – 2001 Invaldos Marketingas, UAB (current name Inreal Valdymas. UAB) – CFO 2000 – 2002 Gildeta, AB – Accountant 1998 – 2000 Invalda, AB – Accountant
Owned number of shares in Invalda INVL, AB	-
Participation in other companies	Aktyvo, UAB – Director Aktyvus Valdymas, UAB – CEO MBGK, UAB – CEO MGK Invest, UAB – CEO RPNG, UAB – CEO Regenus, UAB – CEO Cedus Invest, UAB – CEO Cedus, UAB – CEO Consult Invalda - CEO Imoniu Grupe Inservis, UAB – Member of the Board Invalda INVL Investments UAB – CEO MD PARTNERS UAB - CEO

13. Information about the Audit Committee of the company

The Audit Committee consists of 2 independent members. The members of the Audit Committee are elected and dismissed by the General Shareholders' Meeting of Invalda INVL, AB for a term not exceeding 4 years. The main functions of the Audit Committee should be the following:

- provide recommendations to the Board of the company with selection. appointment. reappointment and removal of an external audit company as well as the terms and conditions of engagement with the audit company;
- monitor the process of external audit;
- monitor how the external auditor and audit company follow the principles of independence and objectivity;
- observe the process of preparation of financial reports of the company;
- monitor the efficiency of the internal control and risk management systems of the company. Once a year review the need of the internal audit function.
- monitor the implementation of the audit firm's recommendations and comments imposed by the Board and the manager of the company.

The Member of the Audit Committee of the company may resign from his post before the expiry of term of office. notifying the Board of the company in writing at least 14 calendar days in advance. When the Board of the Company receives the notice of resignation and estimates all circumstances related to it. the Board may pass the decision either to convene the Extraordinary General Shareholders Meeting to elect the new member of the Audit Committee or to postpone the question upon the election of the new member of the Audit Committee until the nearest General Shareholders Meeting. In any case the new member is elected till the end of term of office of the operating Audit Committee.

Procedure of work of the audit committee

The Audit Committee is a collegial body. taking decisions during meetings. The Audit Committee may take decisions and its meeting should be considered valid. when both members of the Committee participate in it. The decision should be passed when both members of the Audit Committee vote for it. The Member of the Audit Committee may express his will – for or against the decision in question. the draft of which he is familiar with – by voting in advance in writing. Voting in writing should be considered equal to voting by telecommunication end devices. provided text protection is ensured and it is possible to identify the signature. The right of initiative of convoking the meetings of the Audit Committee is held by both Members of the Audit Committee. The other Member of the Audit Committee should be informed about the convoked meeting. questions that will be discussed there and the suggested drafts of decisions not later than 3 (three) business days in advance in writing (by e-mail or fax). The meetings of the Audit Committee should not be recorded. and the taken decisions should be signed by both Members of the committee. When both Audit Committee Members vote in writing. the decision should be written down and signed by the secretary of the Audit Committee who should be appointed by the Board of the Company. The decision should be written down and signed within 7 (seven) days from the day of the meeting of the Audit Committee.

The Audit Committee should have the right to invite the Manager of the Company. Member(s) of the Board. the chief financier. and employees responsible for finance. accounting and treasury issues as well as external auditors to its meetings. Members of the Audit Committee may receive remuneration for their work in the committee at the maximum hourly rate approved by the General Shareholders' Meeting

On 28 April 2017 the General Shareholders meeting elected independent Audit Committee members: Dangutė Pranckėnienė, partner and auditor of Moore Stephens Vilnius, UAB and Tomas Bubinas, a Chief Operating Officer at Biotechpharma, UAB

Dangutė Pranckėnienė – Independent Member of the Audit Committee

The term of office	Since 2017 till 2021
Educational background and qualifications	1995 - 1996 Vilnius Gediminas Technical University, Master of Business Administration. 1976 - 1981 Vilnius University, Master of Economics. The International Coach Union (ICU), professional coacher name, license No. E-51. Lithuanian Ministry of Finance, the auditor's name, license No. 000345.
Work experience	since 1997 the Partner at Moore Stephens Vilnius, UAB 1996 - 1997 Audit Manager, Deloitte & Touche 1995 - 1996 Lecturer, Vilnius Gediminas Technical University 1982 - 1983 Lecturer, Vilnius University
Owned number of shares in Invalda INVL, AB	Directrly owned – 85 units.

Tomas Bubinas – Independent Member of the Audit Committee

The term of office	Since 2017 until 2021
Educational background and qualifications	2004 – 2005 Baltic Management Institute (BMI), Executive MBA 1997 – 2000 Association of Chartered Certified Accountants. ACCA. Fellow Member 1997 Lithuanian Sworn Registered Auditor 1988 – 1993 Vilnius University, Msc. in Economics
Work experience	Since 2013 Chief Operating Officer of Biotechpharma, UAB. 2010 – 2012 Senior Director of TEVA Biopharmaceuticals (USA). 2004-2010 – TEVA Pharmaceuticals, Chief Financial Officer for the Baltic States. 2001-2004 – Sicor Biotech, Chief Financial Officer 1999 – 2001 Senior Manager of PricewaterhouseCoopers. 1994 – 1999 Senior Auditor, Manager of Coopers & Lybrand.
Owned number of shares in Invalda INVL, AB	-

14. Information on the amounts calculated by the Issuer. other assets transferred and guarantees granted to the Members of the Board, the president and CFO

The Members of the Board and the president who are directly elected by the General Shareholders' Meeting and have concluded employment contracts with the company as well as CFO of the company are entitled only to a fixed salary. The company does not have a policy concerning payment of a variable part of remuneration to the Board members or management.

During the year 2017 the Members of the Board did not receive dividends or bonuses from the company. There were no assets transferred. no guarantees granted, no bonuses paid and no special payouts made by the company to its managers. The Members of the Board and the president of the Company were not granted with bonuses by other companies of Invalda INVL, AB group.

Information about calculated remuneration for Invalda INVL, AB managers for 2018

	Calculated remuneration. thousand EUR		
	2016	2017	2018
For members of the Board (according to employment contracts as employees of the company)[2]	214	211	218
For each member of the Board (average per month)	6	6	6
For members of administration (the President and CFO)[2]	132	132	141
For each member of administration (average per month)	5.5	5.5	5.9

During the year 2018, the total remuneration for the members of the Audit Committee of the Company amounted to EUR 798.

[2] Company and Group companies calculated remuneration

V. OTHER INFORMATION

15. Agreements with intermediaries on public trading in securities

Invalda INVL, AB has signed agreements with these intermediaries:

- Šiaulių Bankas, AB (Tilzes str. 149, Siauliai, Lithuania; tel. +370 41 595 607) – the agreement on investment services, the agreement on management of securities accounting, the agreement on payment of dividends;
- Luminor Bankas, AB (Konstitucijos av. 21A, Vilnius, Lithuania; tel. +370 5 239 3444) – the agreement on financial instruments account management, implementation of orders and offering recommendations;
- SEB Bankas, AB (Gedimino ave. 12, Vilnius, Lithuania; tel. +370 5 268 2370) – the agreement on management of securities account;
- FMI Orion Securities, UAB (A. Tumeno str. 4. (block B), Vilnius, Lithuania; tel. +370 5 231 3841) - the agreement on investment services;
- Bank Zachodni WBK S.A. (Rynek 9/11, 50-950 Wrocław, Poland; tel. +61 856 4445) – the agreement of intermediation;
- AB SEB Pank (Tornimae str. 2., 15010, Tallin, Estonia; tel. +372 6657 772) - the agreement of intermediation.

16. Information on Issuer's branches and representative offices

Invalda INVL, AB has no branches or representative offices.

17. Risk management

17.1. A description of the principal risks and uncertainties

Business risks

Activities of Invalda INVL, AB are influenced by overall economic situation of countries of activity and investments. Invalda INVL, AB also depends on its main managers – their loss could have a negative effect on activities of the company and some of business opportunities could be lost.

The main activity of Invalda INVL group – asset management business. Significant part of companies' assets consists of II pillar assets in Lithuania and Latvia, wherefore the change in legal acts in the pension system could have a negative effect in this business area. We have chosen a regulated asset management business model, and therefore the increase in regulatory burden can increase our costs and negatively impact on profitability. Asset management business must also meet capital adequacy ratios, which may require additional contributions to asset management companies in case of loss.

Our returns may be substantially lower than the average returns historically realized by the private equity industry as a whole because historical results do not show the future performance.

Economic recessions and downturns can affect the companies and assets that we have invested in, both directly and through collective investment undertakings, and reduce their value, while negatively impacting our performance.

Invalda INVL may not be able to realize profits from investments into corporate shares or collective investment undertakings. The companies and collective investment undertakings we invest in may not create value or even destroy it, devaluing our investments.

Our ability to use our capital loss carry forwards may be subject to limitations. Changes in the law or regulations that govern us could have a material impact on our business. Change in taxes and change in regulation of sectors, which are dependent on governmental funding or are regulated by the government, could have negative consequences on our business.

Company's and group's results may fluctuate and may not be indicative of future performance.

The trading price of our stock may fluctuate substantially. The price of the stock may be higher or lower than the price you pay for your shares, depending on many factors, some of which are beyond our control.

We are subject to market discount risk. Shares of Invalda INVL, AB can be traded below NAV.

We have not approved dividend payment policy and established a minimum dividend payment level; therefore, we cannot assure you of our ability to make distributions to our shareholders in the future.

Changes in interest rates may affect our cost of capital and net operating income and our ability to obtain additional financing.

Credit risk - a risk that purchases of products and services of direct portfolio companies or businesses that we have invested in through collective investment undertakings will not fulfil their obligations and this would make negative effect on profit. Failure to fulfil major part of liabilities in time would affect the usual activity of Issuer. would result into research of additional sources of financial support, which may not always be possible. The Issuer also bears the risk of funds holding in bank accounts as well as investing into short-term financial instruments.

Investment risk

Our investments may be illiquid; there is a risk that we may not exit out investment at the request of the issuer's management. We may exit our investments when the portfolio company has a liquidity event, such as a sale, recapitalisation or listing in the stock exchange, or when the collective investment undertakings we invest in are making payments to investors.

Our investments into corporate shares and collective investment undertakings are extremely risky and in the worst case the company could lose its entire investment.

When we are a minority equity investor in a portfolio company, we may not be in a position to control the entity and management of the company may make decisions that could decrease the value of our portfolio holdings.

17.2. Information about the extent of risk and its management in the Company

Information on the extent of risks and management of them is disclosed in the section 25 of explanatory notes of consolidated and company's financial statements for 2018.

17.3. The main indications about internal control and risk management systems related to the preparation of consolidated financial statements

The Audit Committee supervises preparation of the consolidated financial statements. systems of internal control and financial risk management and how the company follows legal acts that regulate preparation of consolidated financial statements.

Chief financial officer of the company is responsible for the preparation supervision and the final revision of the consolidated financial statements. Moreover, he constantly reviews International Financial Reporting Standards (IFRS) in order to implement in time IFRS changes, analyses company's and group's significant deals. ensures collecting information from the group's companies and timely and fair preparation of this information for the financial statements. CFO of the company periodically informs the Board about the preparation process of financial statements.

Standartized data collection files prepared by Excel program are used for preparation of consolidated numbers. It also facilitates the automatic reconciliation and elimination of balances and transactions between subsidiaries in the preparation of consolidated accounts. Internal control of the financial numbers of the Group's entities and of the Group financial statements is provided by CFO of the Company.

18. Issuer's and its group companies' non – financial results. Information related to social responsibility. environment and employees

For more information, see Social Responsibility Report, Annex 4 to this Annual Report.

18.1. Employees

Average number of employees in 2018 was 7 (in 2017 it was 7). All company's employees have higher university education.

Number of employees and average monthly salary

	Measuring units	2016	2017	2018
Total amount of employees as of the end of the period	person	7	7	7
- managers	person	4	4	4
- specialists	person	3	3	3
Average monthly salary (calculated for)	EUR	2,905	2,966	3,515
- managers	EUR	4,377	4,555	5,303
- specialists	EUR	1,458	847	1,118

Number of employees in Invalda INVL Group was 555 on 31 December 2018 (489 on 31 December 2018).

18.2. Information about agreements of the Company and the members of the Board, or the employees' agreements providing for compensation in case of the resignation or in case they are dismissed without a due reason or their employment is terminated in view of the change of the control of the Company.

There are no agreements of the company and the Members of the Board, or the employees' agreements providing for compensation in case of the resignation or in case they are dismissed without a due reason or their employment is terminated in view of the change of the control of the company.

19. Memberships in associations

Invalda INVL along with INVL Asset Management in Lithuania and Latvia is a full member of **Invest Europe** – the organisation that unites Europe's private equity and venture capital companies and investors.

Invalda INVL is also part of the **Lithuanian Private Equity and Venture Capital Association**, which brings together the participants of Lithuania's private equity and venture capital market. The organisation's main goal is, together with the competent Lithuanian institutions and partners, to take part in shaping and implementing a common policy for the PE/VC industry.

Invalda INVL together with its INVL Asset Management companies in Lithuania and Latvia, has joined the UN-supported **Principles for Responsible Investment (PRI)** in the middle of 2017. The PRI, founded in 2006, is a global network of over 1700 investors, aims to assess the investment implications of environmental, social and governance (ESG) factors. An economically efficient, sustainable global financial system is considered a necessity for long-term value creation. Investors who support the PRI voluntarily work to apply the principles in their investment activities.

Invalda INVL has joined the **Investors' Association** at the end of 2017. The main activities include the following areas: organization of meetings with business leaders and events on the financial markets of the members of the association, the minority investors' rights advocacy, development of centers of excellence, providing the scientific findings based on the recommendations of the Government and Parliament, drawing attention and warning about the opportunities and risks associated with investing.

Group company INVL Asset Management is a member of **Lithuanian investment and pension funds (LIPFA) Association**. LIPFA is an independent organisation that brings together the country's private investment management companies and branches of commercial banks engaged in investment activities. Members of the association actively participates in the activities of the association and contribute to the promotion of investment and the favourable environment for Lithuania.

Lithuanian Investment Managers Association (LIVA), one of whose founders is INVL Asset Management, aims to contribute to the development of investment, fund improvements in the legal environment and investor education.

INVL Asset Management is a member of **Lithuanian financial markets institute**. The activities of this organisation is focused on analysis of Lithuanian financial markets specific problems and research-based solutions delivery. The institute focuses on promotion of various business financing forms and public approach formation to the need for effective functioning of financial markets, the need for formation.

20. Information on harmful transactions in which the issuer is a party

There were no harmful transactions (those that are not in line with issuer‘s goals, not under usual market terms. harmful to the shareholders‘ or stakeholders‘ interests. etc.) made in the name of the issuer that had or potentially could have negative effects in the future on the issuer‘s activities or business results. There were also no transactions where a conflict of interest was present between issuer‘s management‘s. controlling shareholders‘ or other related parties‘ obligations to the issuer and their private interests.

21. Information on the related parties' transactions

During the reporting period, the largest share of the company and a group of transactions with related parties accounted for loans, computer services, rent and utility costs of purchases, land administration services and asset management services (only group). The detailed information on the related parties' transactions has been disclosed in the section 27 of the consolidated and Company's financial statements for 2018 explanatory notes'.

22. Information about significant agreements to which the issuer is a party, which would come into force, be amended or cease to be valid if there was a change in issuer‘s controlling shareholder

In 2018 there were no concluded significant agreements of the company which would come into force, be amended or cease to be valid if there was a change in issuer‘s controlling shareholder.

23. Significant investments made during the reporting period

Information is provided in the section 4 of the consolidated and Company’s financial statements for 2018 explanatory notes.

24. References to and additional explanations of the data presented in the financial statements and consolidated financial statements

All data is presented in consolidated and company’s financial statements explanatory notes.

25. Data on the publicly disclosed information

The information publicly disclosed of Invalda INVL, AB during 2018 is presented on the company’s website www.invaldainvl.com

Summary of publicly disclosed information

Date of disclosure	Brief description of disclosed information
23.01.2018	INVL Asset Management, a part of Invalda INVL, has launched INVL Absolute Return Subfund
23.01.2018	INVL Asset Management, a part of Invalda INVL, to take controlling stake in asset management company Mundus
02.02.2018	INVL Asset Management, a part of Invalda INVL, has acquired a controlling stake in the asset management company Mundus
06.04.2018	Audited results of Invalda INVL for 2017
06.04.2018	Convocation of the Ordinary General Shareholders Meeting of Invalda INVL and draft resolutions
23.04.2018	Invalda INVL specifies the number and conditions of INVL Baltic Real Estate shares’ public offering
30.04.2018	Resolutions of the Ordinary General Shareholders Meeting of Invalda INVL
30.04.2018	Audited annual information of Invalda INVL for 2017
03.05.2018	On the purchase of own shares of Invalda INVL
03.05.2018	Invalda INVL signed employee stock option contracts
03.05.2018	Chairman of the Board of Invalda INVL was elected
14.05.2018	The wording of the Articles of Association of Invalda INVL have been registered
21.05.2018	Invalda INVL, AB will buy-back 0.03 % shares
23.05.2018	Amount of voting rights in Invalda INVL
31.05.2018	Unaudited information of Invalda INVL group for 3 months of 2018
21.06.2018	The consortium, which includes Invalda INVL, received the permission to invest in Moldova-Agroindbank
22.06.2018	Trading of shares in Invalda INVL will be suspended from 22nd June 2018
22.06.2018	Pre-Contract signed to acquire shares of Moldova-Agroindbank
26.06.2018	INVL Asset Management, a part of Invalda INVL, has launched INVL Baltic Sea Growth Fund
24.07.2018	INVL Asset Management, a subsidiary of Invalda INVL, has launched INVL Special Opportunities Fund
27.08.2018	The second supplement to the prospectus of INVL Baltic Real Estate shares’ public offering, continued by Invalda INVL, was approved
31.08.2018	Unaudited interim information of Invalda INVL group for 6 months of 2018
02.10.2018	Trading of shares in Invalda INVL will be suspended from 2nd October 2018
02.10.2018	Consortium of EBRD, Invalda INVL and Horizon Capital wins auction for Moldova-Agroindbank stake
10.10.2018	Notification on transactions in the issuer's securities

12.10.2018	INVL Baltic Sea Growth Fund to indirectly acquire the InMedica chain of medical clinics
18.10.2018	Convocation of the General Extraordinary Shareholders Meeting of Invalda INVL and draft resolutions
23.10.2018	INVL Asset Management, a subsidiary of Invalda INVL, has launched INVL Baltic Sea Growth Capital Fund
09.11.2018	Resolutions of the General Extraordinary Shareholders Meeting of Invalda INVL
30.11.2018	Unaudited information of Invalda INVL group for 9 months of 2018
14.12.2018	Regarding the results of INVL Baltic Real Estate's public share offering
19.12.2018	INVL Asset Management, a subsidiary of Invalda INVL, establishes life-cycle pension funds
20.12.2018	Invalda INVL investor's calendar for 2019

Summary of reports about transactions concluded in 2018 by persons employed in management positions and persons closely associated with them

Date	Person	Shares, units	Share price	Transaction amount	Type of transaction	Place of transac-tion
08.10.2018	UAB Lucrum investicija (person related to D.Šulnis, the president of the issuer)	236,867	-	-	Completion of repurchase agreement (loss of votes)	-

26. Information on audit company

The company have not approved criteria for selection of the audit company. Usually the big-four audit companies are attending the competition (Deloitte, KPMG. PricewaterhouseCoopers, Ernst and Young).

PricewaterhouseCoopers, UAB provided audit services on the company's and consolidated financial statements for 2018. In the Extraordinary Shareholders' Meeting of the company held 9 November 2018 the audit company PricewaterhouseCoopers, UAB was elected to provide audit services on annual financial statements of the company for the financial year 2018 and the payment in amount of EUR 11,500 (plus VAT) for audit of annual financial statements was set. In case additional services are provided under the agreement on the audit services, additional remuneration is paid to the audit company. The additional remuneration will be determined according to hourly rates of PricewaterhouseCoopers, UAB employees.

Audit company	PricewaterhouseCoopers, UAB
Address of the registered office	J. Jasinskio str. 16B, LT-03163 Vilnius. Lithuania
Enterprise code	111473315
Telephone	+370 5 239 2300
Fax	+370 5 239 2301
E-mail	vilnius@lt.pwc.com
Website	www.pwc.com/lt

No internal audit is performed in the company.

All the services granted to Invalda INVL and the its group by the auditor PricewaterhouseCoopers,

EUR thousand	Group 2018	Company 2018
Financial statement audit services under contracts (including audit services for funds financial statements)	65,500	11,500
Costs of collateral and other related services	-	-
Costs for tax advice issues	10,071	-
Costs for other services (including funds)	1,769	359
In total	**77,340**	**11,859**

President

Darius Šulnis

APPENDIX 1. INFORMATION ABOUT GROUP COMPANIES, THEIR CONTACT DETAILS

Company	Registration information	Type of activity	Contact details
ASSET MANAGEMENT BUSINESS			
INVL Asset Management, UAB	Code 126263073 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 21.07.2003	Pension and investment funds management. portfolio management services, real estate funds management	Telephone +370 700 55959 E-mail info@invl.com www.invl.com
INVL Asset Management, IPAS (Latvia)	Code 40003605043 Address Smilšu iela 7-1. Riga Legal form – private limited liability company Registration date 02.10.2002	Pension and investment funds management, portfolio management services	Telephone +371 67 092 988 E-mail LV@invl.com www.invl.com/lat/lv
AS INVL Atklātais pensiju fonds (Latvia)	Code 40003377918 Address Smilšu iela 7-1, Riga Legal form – limited liability company Registration date 04-02-1998	Pension funds	Tel. +371)67 092 988 E-mail LV@invl.com www.invl.com/lat/lv
INVL Farmland Management	Code 303788352 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 26.02.2016	Administration of agricultural land	E-mail kristina.urboniene@invl.com
INVL Finasta, FMĮ UAB	Code 122570630 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 28.05.2015	Brokerage services	Telephone +370 5 211 1294 E-mail gerovesvaldymas@invl.com www.invl.com
Mundus UAB, asset management company	Code 303305451 Address Vilniaus str. 31, Vilnius Legal form – private limited liability company Registration date 07-05-2014	Management of investment funds	info@mundus.lt www.mundus.lt
Invalda INVL Investments, UAB	Code 303252237 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 27.02.2014	carries no activity	Telephone +370 5 263 6129
OTHER INVESTMENTS			
INVL Technology, SUTPKIB	Code 300893533 Address Gynėjų str. 14, Vilnius Legal form – joint stock company Registration date 27.06.2007	Investments info information technology businesses	Telephone +370 5 279 0601 E-mail info@invltechnology.lt www.invltechnology.lt
INVL Baltic Real Estate, SUTNTIB	Code 152105644 Address Gynėjų str. 14, Vilnius Legal form – joint stock company Registration date 28.01.1997	Investments into commercial real estate. Rent of commercial real estate.	Telephone + 370 5 279 06 01 E-mail breinfo@invl.com www.invlbalticrealestate.com
Litagra, UAB	Code 123496364 Address Savanoriu pr. 173. Vilnius; Legal form – private limited liability company Registration date 30.01.1996	investments into agriculture companies	Telephone +370 5 236 1600 Fax +370 5 236 1601 E-mail office@litagra.lt www.litagra.lt

Cedus Invest, UAB	Code 302576631 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 20.12.2010	investments into agriculture companies	Telephone +370 5 263 6129 Fax +370 5 279 0530
Šiaulių bankas, AB	Code 112025254 Address Tilžės str.149, Šiauliai Legal form – joint stock company Registration date 04.02.1992	Commercial banking	Telephone +370 41 595 607 Fax. +370 41 430 774 E-mail info@sb.lt www.siauliubankas.lt
Inservis, UAB	Code 126180446 Address Juozapaviciaus str. 6. Vilnius Legal form – private limited liability company Registration date 25.03.2003	facility management. engineering systems oversight and incidents management. multi-apartment house management	Telephone +370 5 273 6607 E-mail prieziura@inservis.lt www.inservis.lt
Priemiestis, UAB	Code 221487620 Address Stepono Batoro str. 41. Vilnius Legal form – private limited liability company Registration date 09.07.1992	facility management. engineering systems oversight and incidents management, multi-apartment house management	Telephone +370 5 267 0204 Fax +370 5 267 2941 E-mail info@priemiestis.lt www.priemiestis.lt
Jurita, UAB	Code 220152850 Address Justiniskiu str. 62. Vilnius Legal form – private limited liability company Registration date 28.12.1990	Facility management. engineering systems oversight and incidents management, multi-apartment house management	Telephone +370 5 248 2088 E-mail info@jurita.lt www.jurita.lt
Imoniu Grupe Inservis, UAB	Code 301673796 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 07.04.2008	investing in building maintenance companies	Telephone +370 5 263 6129 Fax +370 5 279 0530
Informacinio verslo paslaugų įmonė, AB	Code 123043773 Address Gedimino pr. 31, Vilnius Legal form – joint stock company Registration date 05.04.1995	Software tools for computerized processing of economic information	Telephone +370 5 236 4808, fax +370 5 262 3623 E-mail info@ivpi.lt www.ivpi.lt
"IPP integracijos projektai", UAB	Code 302890482 Address Palangos str. 4, Vilnius Legal form – private limited liability company Registration date 12.10.2012	Carries no activity	-
SIA „Inservis“ (Latvia)	Code 40203041770 Address - Olaines nov., Olaines pag., Stūnīši, "Lapegles", Latvia Legal form – private limited liability company Registration date 02.01.2017	Facilities management	-
Kelio Zenklai, UAB	Code 185274242 Address Gelezinkelio str. 28. Pilviskiai. Vilkaviskio r. Legal form – private limited liability company Registration date 06.09.1994	metal and wood processing and wholesale trade	Telephone +370 342 67 756 Fax +370 342 67 644 E-mail info@keliozenklai.lt www.keliozenklai.lt
Iniciatyvos Fondas, VsI	Code 300657209 Address Gynėjų str. 14. Vilnius Legal form – public institution Registration date 08.03.2007	organising of social initiative programmes	Telephone +370 5 263 6129 Fax +370 5 279 0530 E-mail info@iniciatyvosfondas.lt www.iniciatyvosfondas.lt

Aktyvo, UAB	Code 301206846 Address Gynėjų str. 14, Vilnius; Legal form – private limited liability company Registration date 31.10.2007	carries no activity	Telephone +370 5 263 6129 Fax +370 5 279 0530
Aktyvus Valdymas, UAB	Code 301673764 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 07.04.2008	carries no activity	Telephone +370 5 263 6129 Fax +370 5 279 0530
MBGK, UAB	Code 300083611 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 27.01.2005	carries no activity	Telephone +370 5 263 6129 Fax +370 5 279 0530
MGK Invest, UAB	Code 302531757 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 27.07.2010	carries no activity	Telephone +370 5 263 6129 Fax +370 5 279 0530
Consult Invalda, UAB	Code 302575814 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 20.12.2010	carries no activity	Telephone +370 5 263 6129 Fax +370 5 279 0530
RPNG, UAB	Code 302575892 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 20.12.2010	carries no activity	Telephone +370 5 263 6129 Fax +370 5 279 0530
Regenus, UAB	Code 302575821 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 20.12.2010	carries no activity	Telephone +370 5 263 6129 Fax +370 5 279 0530
Cedus, UAB	Code 302656796 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 18.08.2011	carries no activity	Telephone +370 5 263 6129 Fax +370 5 279 0530
MD Partners UAB	Code 304842899 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 14-05-2018	SPV for investment into Moldova-Agroindbank	Telephone +370 5 263 6129 Fax +370 5 279 0530
BSGF Sanus, UAB (till February 2019)	Code 304924481 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 28-09-2018	SPV for investment into pharmacy business	Telephone +370 5 263 6129 Fax +370 5 279 0530
BSGF Fortis, UAB (till February 2019)	Code 304974178 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 19-12-2018	SPV for investment into production business	Telephone +370 5 263 6129 Fax +370 5 279 0530

APPENDIX 2. DISCLOSURE CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE

Invalda INVL, AB following Article 22 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules Nasdaq Vilnius, discloses its compliance with the Governance Code, approved by Nasdaq Vilnius for the companies listed on the regulated market. and its specific provisions.

Invalda INVL, AB announces information concerning the Compliance with the Governance code in the Annual report of 2018 according to the Governance code valid till 15th January 2019.

PRINCIPLES/ RECOMMENDATIONS	YES / NO / NOT APPLI-CABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a Company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The Company constantly discloses information about group's activities and objectives in notifications on material events, annual information.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	The Board's and the President's activities are concentrated on the fulfilment of the Company's strategic objectives taking count of the shareholders' equity increase.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The Supervisory Board is not formed. Nevertheless. the Board and the President acts in close cooperation seeking to obtain the maximum benefit for the Company and its shareholders. The Board periodically reviews and assesses Company's activity results. The President may conclude the transactions referred to in subparagraphs 3. 4. 5 and 6. paragraph 4. Article 34 of the Law on Companies of the Republic of Lithuania. provided that there is a decision of the Board to enter into these transactions.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees. creditors. suppliers. clients. local community). participating in or connected with the company's operation. are duly respected.	Yes	The Company respects all rights and interests of the persons participating in or connected with the Company's operation.
Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the Company. the effective oversight of the Company's management bodies. an appropriate balance and distribution of functions between the Company's bodies. protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a General Shareholders' Meeting and the Chief Financial Officer. it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company. accountability and control on the part of the Chief Executive Officer. who. in its turn. facilitate a more efficient and transparent management process.	No	Due to its size, it is not expedient to form the Supervisory Board. Therefore the only collegial management body - the Board is formed in the Company. The President of the Company is accountable to the Board.
2.2. A collegial management body is responsible for the strategic management of the company and	Yes	The functions set forth in this recommendation are performed by the collegial management body – the

performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.		Board.
2.3. When a company chooses to form only one collegial body. it is recommended that it should be a supervisory body. i.e. the Supervisory Board. In such a case. the Supervisory Board is responsible for the effective monitoring of the functions performed by the company's Chief Financial Officer.	No	Only one collegial body is formed in the Company - the Board. It performs all essential management functions and ensures accountability and control of the President of the Company. The Supervisory Board is not formed in the Company.
2.4. The collegial supervisory body to be elected by the General Shareholders' Meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body. i.e. the Board. Principles III and IV should apply to the Board as long as that does not contradict the essence and purpose of this body.	Yes	The provisions set forth in III and IV principles are applied on the Board's formation and activity as long as that does not contradict with the essence and purpose of this body.
2.5. Company's management and supervisory bodies should comprise such number of Board (executive directors) and Supervisory (non-executive directors) Board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	There are 3 independent Board members in the Company who do not have any other mutual interests but only activity within the Board and who act seeking benefit to the Company and its shareholders.
2.6. Non-executive directors or members of the Supervisory Board should be appointed for specified terms subject to individual re-election. at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the Management Board.	No	The Supervisory Board is not formed in the Company and there are no non–executive directors either.
2.7. Chairman of the collegial body elected by the General Shareholders' Meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a Supervisory Board but rather the Board. it is recommended that the chairman of the Board and Chief Financial Officer of the company should be a different person. Company's Chief Financial Officer should not be immediately nominated as the chairman of the collegial body elected by the General Shareholders' Meeting. When a company chooses to departure from these recommendations. it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Chairman of the Board is not the manager of the Company. His current or past positions have no obstacles to conduct independent and impartial supervision.
Principle III: The order of the formation of a collegial body to be elected by a General Shareholders' Meeting. **The order of the formation a collegial body to be elected by a General Shareholders' Meeting should ensure representation of minority shareholders. accountability of this body to the shareholders and objective monitoring of the Company's operation and its management bodies.**		
3.1. The mechanism of the formation of a collegial body to be elected by a General Shareholders' Meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The Board operates impartially, objectively and represents the interests of all shareholders equally.
3.2. Names and surnames of the candidates to	Yes	According to the Board's procedures and regulations

become members of a collegial body. information about their education. qualification. professional background. positions taken and potential conflicts of interest should be disclosed early enough before the General Shareholders' Meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence. the sample list of which is set out in Recommendation 3.7. should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should. on yearly basis. collect data provided in this item on its members and disclose this in the company's annual report.		at least 10 days before the General Shareholders' Meeting. where it is planned to elect Board members (member), the information about the candidates to the Board will be fully disclosed to the shareholders with the indication of the candidates' names, surnames, their membership in supervisory and management bodies of other companies, and all other circumstances that can affect the independence of the candidate as well as the data on their education, qualifications, professional experience, other important information. The Board members obligate to inform the Chairman of the Board in case of the changes of the data. The information of these changes shall be disclosed to the shareholders in the Company's periodical reports. Information about current members of the Board. their educational background, qualification, professional experience, participation in other companies is disclosed on Company's website.
3.3. Should a person be nominated for members of a collegial body. such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant. the collegial body should. in its annual report. disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	Information about the composition of the Board, members' education, work experience and participation in other companies is disclosed in Company's periodical reports and on website.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members. the desired composition of the collegial body shall be determined with regard to the company's structure and activities. and have this periodically evaluated. The collegial body should ensure that it is composed of members who. as a whole. have the required diversity of knowledge. judgment and experience to complete their tasks properly. The members of the Audit Committee. collectively. should have a recent knowledge and relevant experience in the fields of finance. accounting and/or audit for the stock exchange listed companies. At least one of the members of the Remuneration Committee should have knowledge of and experience in the field of remuneration policy.	Yes	The composition of the Board is regularly assessed with consideration to the nature of Company's activity and structure. The Audit Committee members have the required experience. The Remuneration Committee is formed.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties. corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	No	Presently. members of the Board do not perform the assessment of their skills and knowledge.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly. the collegial body should comprise a sufficient number of independent members.	No	Independency of the elected Board members is not assessed and the content of independent members' sufficiency isn't set either.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business. family or other relationship with the company. its controlling shareholder or the management of either. that creates a conflict of	No	Members of the Board are elected by the General Shareholders' Meeting. They are independent and, in their actions, seek the benefit to the Company and its shareholders. however fail to meet the

interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list. moreover. relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time. assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:

1) he/she is not an executive director or member of the Board (if a collegial body elected by the General Shareholders' Meeting is the Supervisory Board) of the company or any associated company and has not been such during the last five years;
2) he/she is not an employee of the company or some any company and has not been such during the last three years. except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees;
3) he/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations);
4) he/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);
5) he/she does not have and did not have any material business relations with the company or associated companies within the past year directly or as a partner. shareholder. director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial. legal. counselling and consulting services). major client or organization receiving significant payments from the company or its group;
6) he/she is not and has not been. during the last three years. partner or employee of the current or former external audit company of the company or associated companies;
7) he/she is not an executive director or member of the Board in some other company where executive director of the company or member of the Board (if a collegial body elected by the General Shareholders' Meeting is the Supervisory Board) is non-executive director or member of the Supervisory Board. he/she may not also have any other material relationships with executive directors of the company that

recommendation on independency.

arise from their participation in activities of other companies or bodies; 8) he/she has not been in the position of a member of the collegial body for over than 12 years; 9) he/she is not a close relative to an executive director or member of the Board (if a collegial body elected by the General Shareholders' Meeting is the Supervisory Board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse). children and parents.		
3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that. despite a particular member meets all the criteria of independence laid down in this Code. he cannot be considered independent due to special personal or company-related circumstances.		
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body. the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code. the company should disclose its reasons for nevertheless considering the member to be independent. In addition. the company should annually disclose which members of the collegial body it considers to be independent.	No	No Board members' independency assessment and announcement practice is applicable in the Company.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year. the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body. the company should require independent members to have their independence periodically re-confirmed.	No	No Board members' independency assessment and announcement practice is applicable in the Company.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body. they may be remunerated from the company's funds. The General Shareholders' Meeting should approve the amount of such remuneration.	Not applicable	The Board members are not remunerated for their work and participation in the meeting of the Board from the Company's funds.
Principle IV: The duties and liabilities of a collegial body elected by the General Shareholders' Meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the General Shareholders' Meeting. and the powers granted to the collegial body should ensure effective monitoring of the Company's management bodies and protection of interests of all the Company's shareholders.**		
4.1. The collegial body elected by the General Shareholders' Meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	The Board submits Company's annual financial statement and consolidated annual financial statement, profit distribution drafts to the General Shareholders' Meeting, delivers consolidated annual report, also performs all other functions set forth in the legal acts of the Republic of Lithuania.
4.2. Members of the collegial body should act in	Yes	According to the information held with the Company,

good faith. with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis. decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence. and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about. the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or Audit Committee and. if necessary. respective company-not-pertaining body (institution).		all Board members act in good will with respect to the Company, are guided by the interests of the Company, not by the personal or third parties' interests and seek to preserve their independency while adopting the decisions.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company. shareholders of the company should be notified.	Yes	The Board members perform their functions properly, they actively participate in the Board meetings and devote sufficient time for the performance of their duties as Board members.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders. the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs. strategies. risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The Board treats all shareholders honestly and impartially.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions). concluded between the company and its shareholders. members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	No	There were no significant transactions between the Company and its shareholders or management bodies.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately. the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties. including the right to obtain. in particular from	Yes	The Board is independent while adopting decisions which are significant for the activity and strategy of the Company.

employees of the company. all the necessary information or to seek independent legal. accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems. the remuneration committee should ensure that the consultant concerned does not at the same time advice the human resources department. executive directors or collegial management organs of the company concerned.		
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors. determination of directors' remuneration and control and assessment of the company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body. it is recommended that the collegial body should establish Nomination. Remuneration. and Audit Committees. Companies should ensure that the functions attributable to the Nomination. Remuneration. and Audit Committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members. the functions assigned to the three committees may be performed by the collegial body itself. provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role. operation. and transparency) should apply. where relevant. to the collegial body as a whole.	No	Due to simplicity of the Company's management structure and small number of employees, it is not expedient to form the Nomination and Remuneration committees.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration. and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgment and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended. in principle. to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself. which remains fully responsible for the decisions taken in its field of competence.		
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body. they could exceptionally be composed of two members.		

Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the Company chooses not to set up a Supervisory Board. Remuneration and Audit Committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition. number of meetings and attendance over the year. and their main activities. Audit Committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	
4.11. In order to ensure independence and impartiality of the committees. members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	
4.12. Nomination Committee. 4.12.1. Key functions of the Nomination Committee should be the following: 1) identify and recommend. for the approval of the collegial body. candidates to fill Board vacancies. The Nomination Committee should evaluate the balance of skills. knowledge and experience on the management body. prepare a description of the roles and capabilities required to assume a particular office. and assess the time commitment expected. Nomination Committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) assess on regular basis the structure. size. composition and performance of the supervisory and management bodies. and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) assess on regular basis the skills. knowledge and experience of individual directors and report on this to the collegial body; 4) properly consider issues related to succession planning;	

5) review the policy of the management bodies for selection and appointment of senior management.

4.12.2. Nomination Committee should consider proposals by other parties. including management and shareholders. When dealing with issues related to executive directors or members of the Board (if a collegial body elected by the General Shareholders' Meeting is the Supervisory Board) and senior management. Chief Financial Officer of the company should be consulted by. and entitled to submit proposals to the Nomination Committee.

4.13. Remuneration Committee.

4.13.1. Key functions of the Remuneration Committee should be the following:

1) make proposals. for the approval of the collegial body. on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation. including the fixed remuneration. performance-based remuneration schemes. pension arrangements. and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria. with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;

2) make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so. the Committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;

3) ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company;

4) periodically review the remuneration policy for executive directors or members of management body. including the policy regarding share-based remuneration. and its implementation;

5) make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;

6) assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);

7) make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.

4.13.2. With respect to stock options and other

share-based incentives which may be granted to directors or other employees. the Committee should: 1) consider general policy regarding the granting of the above mentioned schemes. in particular stock options. and make any related proposals to the collegial body; 2) examine the related information that is given in the company's annual report and documents intended for the use during the General Shareholders' Meeting; 3) make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares. specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the Remuneration Committee. the Committee should at least address the chairman of the collegial body and/or Chief Financial Officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies. 4.13.4. The Remuneration Committee should report on the exercise of its functions to the shareholders and be present at the Annual General Shareholders' Meeting for this purpose.		
4.14. Audit Committee. 4.14.1. Key functions of the Audit Committee should be the following: 1) observe the integrity of the financial information provided by the company. in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) at least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified. managed and reflected in the information provided; 3) ensure the efficiency of the internal audit function. among other things. by making recommendations on the selection. appointment. reappointment and removal of the head of the internal audit department and on the budget of the department. and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company. the need for one should be reviewed at least annually; 4) make recommendations to the collegial body related with selection. appointment. reappointment and removal of the external auditor (to be done by the General Shareholders' Meeting) and with the terms and conditions of his engagement. The Committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 5) monitor independence and impartiality of the external auditor. in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners. the level of	Yes	The members of the Audit Committee are elected by the General Shareholders' Meeting. The main functions of the Audit Committee should be the following: - provide recommendations with selection, appointment, reappointment and removal of an external Audit Company as well as the terms and conditions of engagement with the Audit Company; - monitor the process of external audit; - monitor how the external auditor and Audit Company follow the principles of independence and objectivity; - observe the process of preparation of financial reports of the Company; - monitor the efficiency of the internal control and risk management systems of the Company. Once a year review the need of the internal audit function; –monitor the implementation of the audit firm's recommendations and comments imposed by the Board and the manager of the company. In conducting of the mentioned above functions, the Audit committee supervises the process of preparation of annual accounts and gives recommendations to the Board on provision of the annual accounts for the approval of the shareholders. Furthermore. the Audit committee analyses the independence and other criteria of the potential auditors and gives the necessary conclusions to the management. Each year the Audit committee prepares activity report on the main conclusions regarding Company's activity.

fees paid by the company. and similar issues. In order to prevent occurrence of material conflicts of interest. the Committee. based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network. should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the May 16. 2002 Commission Recommendation 2002/590/EC. the Committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded. (b) permissible only after review by the Committee. and (c) permissible without referral to the Committee;

6) review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.

4.14.2. All members of the Committee should be furnished with complete information on particulars of accounting. financial and other operations of the company. Company's management should inform the Audit Committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.

4.14.3. The Audit Committee should decide whether participation of the chairman of the collegial body. Chief Financial Officer (or superior employees in charge of finances. treasury and accounting). or internal and external auditors in the meetings of the Committee is required (if required. when). The Committee should be entitled. when needed. to meet with any relevant person without executive directors and members of the management bodies present.

4.14.4. Internal and external auditors should be secured with not only effective working relationship with management. but also with free access to the collegial body. For this purpose the Audit Committee should act as the principal contact person for the internal and external auditors.

4.14.5. The Audit Committee should be informed of the internal auditor's work program. and should be furnished with internal audit's reports or periodic summaries. The Audit Committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The Committee should be timely furnished information on all issues arising from the audit.

4.14.6. The Audit Committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company. by way of complaints or through anonymous submissions (normally to an independent member of the collegial body). and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.

4.14.7. The Audit Committee should report on its activities to the collegial body at least once in every six months. at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure. work organization and ability to act as a group. evaluation of each of the collegial body member's and Committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should. at least once a year. make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures. and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	Yes	Once a year the Board conducts its performance evaluation. The management Board of Invalda AB agree that the Board work was organized well. The members of the Board of the Company take an active part in the meetings of the Board and devote sufficient time and attention to the duties of the member of the Management Board. The members of the Board are provided with all information by e-mail in advance. When analyzing the submitted material and making decisions, the members of the board act independently (from each other, from positions held in other companies and from other persons). The Board believes that its members are well informed about the relevant financial, economic, social and other changes that may affect the company and the interests of shareholders and stakeholders and seek to use this information effectively and apply advanced solutions in their activities.
Principle V: The working procedure of the Company's collegial bodies. **The working procedure of supervisory and management bodies established in the Company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the Company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	The activity of the Board is chaired by the chairman who is also responsible for convocation of the meetings as well as preparation of the agenda. Frequency of the meetings and questions of the agenda depend on the particular events or projects or they are related with ordinary functions of the Board prescribed by legal acts.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies. but it is recommended that these meetings should be convened at such intervals. which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's Supervisory Board should be convened at least once in a quarter. and the company's Board should meet at least once a month[3].	Yes	According to the Board's procedures and regulations. the Board meetings are held at least once per quarter.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to	Yes	The Board meetings are being convened by the Chairman. The Chairman of the Board informs each Member of the Board about the meeting by phone or by email.

[3] The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened. all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting. unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.		
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process. chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings. their agendas and resolving other issues of corporate governance. Members of the company's Board should be free to attend meetings of the company's Supervisory Board. especially where issues concerning removal of the Board members. their liability or remuneration are discussed.	No	The Company cannot implement this recommendation since only the Board is formed.
Principle VI: The equitable treatment of shareholders and shareholder rights. **The corporate governance framework should ensure the equitable treatment of all shareholders. including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting. ownership. dividend and other rights to all their holders.	Yes	Shares which compose the authorised capital of the Company grant equal rights to all shareholders.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance. i.e. before they purchase shares.	Yes	The Company informs shareholders about the rights of newly issued shares.
6.3. Transactions that are important to the company and its shareholders. such as transfer. investment. and pledge of the company's assets or any other type of encumbrance should be subject to approval of the General Shareholders' Meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues. including approval of transactions referred to above. are discussed.	Yes	Shareholders of the Company have equal opportunities to get familiarised and participate in adopting decisions important to the Company. Approval of the General Shareholders' Meeting is also necessary in cases stipulated in Chapter V of the Law on Companies of the Republic of Lithuania. No other cases when the approval of the General Shareholders' Meeting should be obtained are foreseen. since it would impair Company's business considering the nature of the Company's activity.
6.4. Procedures of convening and conducting a General Shareholders' Meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue. date. and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting. the Company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the General Share-holders' Meeting and receive answers to them.	Yes	The procedures of convening and conducting of the General Shareholders' Meeting comply with the provisions of legal acts and provide the shareholders with equal opportunities to participate in the meetings get familiarised with the draft resolutions and materials necessary for adopting the decision in advance. also give questions to the Board members.

6.5. If is possible. in order to ensure shareholders living abroad the right to access to the information. it is recommended that documents on the course of the General Shareholders' Meeting. should be placed on the publicly accessible website of the company not only in Lithuanian language. but in English and /or other foreign languages in advance. It is recommended that the minutes of the General Shareholders' Meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information. whenever feasible. documents referred to in this recommendation should be published in Lithuanian. English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	The documents prepared for the General Shareholders' Meeting are published in Lithuanian and English on the Company's website. The decisions of General Shareholders' Meetings for the last 9 years are also published on Company's website.
6.6. Shareholders should be furnished with the opportunity to vote in the General Shareholders' Meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The Company's shareholders are furnished with the opportunity to participate in the General Shareholders' Meeting both personally and via an attorney. if such a person has a proper authorisation or if an agreement on the transfer of voting rights was concluded in the manner set forth in the legal acts. The Company provides the shareholders with conditions to vote by completing the general voting ballot.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at General Shareholders' Meetings. the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in General Shareholders' Meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover. companies could furnish its shareholders. especially shareholders living abroad. with the opportunity to watch shareholder meetings by means of modern technologies.	No	Shareholders can vote via an attorney or by completing the general voting ballot but for the meantime shareholders cannot participate and vote in General Shareholders' Meetings via electronic means of communication.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation. in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur. a member of the company's supervisory and management body should. within reasonable time. inform other members of the same collegial body or the company's body that has elected him/her. or to the company's shareholders about a situation of a conflict of interest. indicate the nature of the conflict and value. where possible.	Yes	The Board members fully comply with these recommendations.
7.2. Any member of the company's supervisory and management body may not mix the company's assets. the use of which has not been mutually agreed upon. with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate		

body for his/her personal benefit or for the benefit of any third person without a prior agreement of the General Shareholders' Meeting or any other corporate body authorised by the meeting.		
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company. a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally. by recording this in the minutes of the meeting. to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.		
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.		
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval. revision and disclosure of directors' remuneration established in the Company should prevent potential conflicts of interest and abuse in determining remuneration of directors. in addition it should ensure publicity and transparency both of Company's remuneration policy and remuneration of directors.**		
8.1. A Company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	The Company does not prepare a remuneration policy since the majority of VIII principle items are not relevant for the present structure of the Company. Information about the benefits and loans for the members of the management bodies is provided in the periodical reports. financial statements.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and. if appropriate. the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.		
8.3. Remuneration statement should leastwise include the following information: 1) explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) sufficient information on performance criteria that entitles directors to share options. shares or variable components of remuneration; 3) an explanation how the choice of performance criteria contributes to the long-term interests of the company; 4) an explanation of the methods. applied in order to determine whether performance criteria have been fulfilled; 5) sufficient information on deferment periods with regard to variable components of remuneration; 6) sufficient information on the linkage between the remuneration and performance;		

7) the main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 8) sufficient information on the policy regarding termination payments; 9) sufficient information with regard to vesting periods for share-based remuneration. as referred to in point 8.13 of this Code; 10) sufficient information on the policy regarding retention of shares after vesting. as referred to in point 8.15 of this Code; 11) sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; 12) a description of the main characteristics of supplementary pension or early retirement schemes for directors; 13) remuneration statement should not include commercially sensitive information.	
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include. inter alia. information on the duration of contracts with executive directors and members of the management bodies. the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	
8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration. inclusive of other benefits. that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed: - the total amount of remuneration paid or due to the director for services performed during the relevant financial year. inclusive of. where relevant. attendance fees fixed by the Annual General Shareholders' Meeting; - the remuneration and advantages received from any undertaking belonging to the same group; - the remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; - if permissible by the law. any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; - compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; - total estimated value of non-cash benefits considered as remuneration. other than the items	

covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes. the following information should be disclosed: - the number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; - the number of shares options exercised during the relevant financial year and. for each of them. the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; - the number of share options unexercised at the end of the financial year; their exercise price. the exercise date and the main conditions for the exercise of the rights; - all changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: - when the pension scheme is a defined-benefit scheme. changes in the directors' accrued benefits under that scheme during the relevant financial year; - when the pension scheme is defined-contribution scheme. detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans. advance payments or guarantees. including the amount outstanding and the interest rate.	
8.6. Where the remuneration policy includes variable components of remuneration. companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	
8.8. Where a variable component of remuneration is awarded. a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	
8.10. Termination payments should not exceed a	

fixed amount or fixed number of years of annual remuneration. which should. in general. not be higher than two years of the non-variable component of remuneration or the equivalent thereof.		
8.11. Termination payments should not be paid if the termination is due to inadequate performance.		
8.12. The information on preparatory and decision-making processes. during which a policy of remuneration of directors is being established. should also be disclosed. Information should include data. if applicable. on authorities and composition of the remuneration committee. names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of Annual General Shareholders' Meeting.		
8.13. Shares should not vest for at least three years after their award.		
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements. should be subject to predetermined and measurable performance criteria.		
8.15. After vesting. directors should retain a number of shares. until the end of their mandate. subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed. for example. twice the value of total annual remuneration (the non-variable plus the variable components).		
8.16. Remuneration of non-executive or supervisory directors should not include share options.		
8.17. Shareholders. in particular institutional shareholders. should be encouraged to attend General Shareholders' Meetings where appropriate and make considered use of their votes regarding directors' remuneration.		
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations. the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the Annual General Shareholders' Meeting. Remuneration statement should be put for voting in Annual General Shareholders' Meeting. The vote may be either mandatory or advisory.		
8.19. Schemes anticipating remuneration of directors in shares. share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of Annual General Shareholders' Meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in	Yes	The General Shareholders meeting held on 30 April 2018 passed a decision regarding the number of ordinary registered shares of the company which would result in stock option contracts for employees in 2018 and a share price. On 3 May 2018 it was announced about signed employee stock option contracts.

scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in Annual General Shareholders' Meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.

8.20. The following issues should be subject to approval by the Annual General Shareholders' Meeting:

1) grant of share-based schemes. including share options. to directors;

2) determination of maximum number of shares and main conditions of share granting;

3) the term within which options can be exercised;

4) the conditions for any subsequent change in the exercise of the options. if permissible by law;

5) all other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual General Shareholders' Meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.

8.21. Should national law or company's Articles of Association allow. any discounted option arrangement under which any rights are granted to subscribe the shares at a price lower than the market value of the share prevailing on the day of the price determination. or the average of the market values over a number of days preceding the date when the exercise price is determined. should also be subject to the shareholders' approval.

8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the Annual General Shareholders' Meeting.

8.23. Prior to the Annual General Shareholders' Meeting that is intended to consider decision stipulated in Article 8.8. the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms. as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market. hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be

posted on the company's website.		
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the Company value. jobs and financial sustainability. For the purposes of this Principle. the concept "stakeholders" includes investors. employees. creditors. suppliers. clients. local community and other persons having certain interest in the Company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Company respects the rights of interest holders and allows the interest holders to participate in the management of the Company in the manner set forth by the laws. The detailed information about planned events has been constantly disclosed in line with requirements of legal acts; therefore. the investors (shareholders) have enough opportunities to familiarize with necessary information as well as vote on decisions. More detailed explanation about disclosure procedure is provided below in the part 10.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency. etc.		
9.3. Where stakeholders participate in the corporate governance process. they should have access to relevant information.		
Principle X: Information disclosure and transparency **The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the Company. including the financial situation. performance and governance of the Company.**		
10.1. The company should disclose information on: 1) the financial and operating results of the company; 2) company objectives; 3) persons holding by the right of ownership or in control of a block of shares in the company; 4) members of the company's supervisory and management bodies. Chief Financial Officer of the company and their remuneration; 5) material foreseeable risk factors; 6) transactions between the company and connected persons. as well as transactions concluded outside the course of the company's regular operations; 7) material issues regarding employees and other stakeholders; 8) governance structures and strategy. This list should be deemed as a minimum recommendation. while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	Yes	Information set forth in this recommendation is disclosed in the notifications on material event. periodical reports. This information is also published on Company's website.
10.2. It is recommended to the company. which is the parent of other companies. that consolidated results of the whole group to which the Company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.		

10.3. It is recommended that information on the professional background. qualifications of the members of supervisory and management bodies. Chief Financial Officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and Chief Financial Officer as per Principle VIII.		
10.4. It is recommended that information about the links between the company and its stakeholders. including employees. creditors. suppliers. local community. as well as the company's policy with regard to human resources. employee participation schemes in the company's share capital. etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.		
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the NASDAQ OMX Vilnius. so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The company discloses information via Nasdaq news distribution service so that the public in Lithuania and other EU countries should have equal access to the information. The information is disclosed in Lithuanian and English. The company publishes its information prior to or after the trade sessions on the Nasdaq Vilnius. The company does not disclose information that may have an effect on the price of shares in the commentaries. interview or other ways as long as such information is publicly announced via Nasdaq news distribution service.
10.6. Channels for disseminating information should provide for fair. timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information. for instance. by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian. but also in English. and. whenever possible and necessary. in other languages as well.	Yes	The information is disclosed in Lithuanian and English simultaneously via Nasdaq news distribution service. It is also published on company's website.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	The company publishes all information indicated in this recommendation on its website.
Principle XI: The selection of the Company's auditor **The mechanism of the selection of the Company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	The annual Company's and consolidated financial statements and consolidated annual report are conducted by the independent audit company. The interim financial statements are not conducted by the audit company.

11.2. It is recommended that the company's Supervisory Board and. where it is not set up. the company's Board should propose a candidate firm of auditors to the General Shareholders' Meeting.	Yes	The candidate audit company is suggested to the General Shareholders' Meeting by the Board.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's Supervisory Board and. where it is not formed. the company's Board upon their consideration which firm of auditors to propose for the General Shareholders' Meeting.	Not applicable	The remuneration of the services granted to an audit company other than the audit services is disclosed in the consolidated report of 2018. The audit company provides non-audit services only with the approval of the Audit Committee.

APPENDIX 3. COMPANY'S MANAGEMENT REPORT

(Prepared in accordance with the Law of the Republic of Lithuania on Financial Reporting by Undertakings (IX-575) in force from 29 November 2017)

1. Reference to the applicable corporate governance code and the place of its publication, and (or) reference to the all necessary published information regarding management practices of the entity

The Company discloses the information regarding the compliance with the applicable Corporate Governance Code in Appendix 2 of the consolidated report of 2018. The Company publishes its annual reports on it's website.

2. In case of derogation from the provisions of the applicable corporate governance code and (or) when the provisions are not complied with, such provisions and the reasons thereof shall be indicated

The Company discloses such information in sections "Yes/No/Irrelevant" and "Commentary" of Appendix 2 of the consolidated report of 2018 "Information regarding the compliance with Corporate Governance Code.

3. Information regarding the level of risk and risk management – management of risks related to the financial reporting, risk mitigation measures, and internal control systems implemented at the entity shall be described

The Company provides information regarding the level of risk, risk management, and implemented internal control systems, as well as the measures, in Clause 17.3. of the consolidated report of 2018.

4. Information regarding significant directly or indirectly managed holdings

The Company provides information regarding the significant directly or indirectly managed holdings in Note 1 of the financial statements of 2018.

5. Information about related parties transactions in accordance with Article 37^2 of the Law on Companies of the Republic of Lithuania

Related party	Company's relationship with the other counterparty	Date and value of the transaction	Other information
UAB Kelio ženklai code 185274242, Geležinkelio str., Pilviškės, Vilkaviškis district Register of Legal Entities	100% controlled by Invalda INVL	15-02-2018 Loan agreement No. P/180215/01, EUR 20,000	
UAB Kelio ženklai code 185274242, Geležinkelio str., Pilviškės, Vilkaviškis district Register of Legal Entities	100% controlled by Invalda INVL	15-03-2018 Loan agreement No. P/180315/01, EUR 35,000	
UAB INVL Asset Management code 126263073 Gynėjų str. 14, Vilnius Register of Legal Entities	100% controlled by Invalda INVL	20-04-2018 Distribution agreement regarding distribution of INVL Baltic Real Estate shares according to approved prospectus. Price – 3% of the offering price. Terminated 20-05-2018 after the prospectus was amended.	
UAB INVL Asset Management code 126263073 Gynėjų str. 14, Vilnius Register of Legal Entities	100% controlled by Invalda INVL	21-05-2018 Share subsricption agreement, EUR 522,000	
UAB FMĮ INVL Finasta, code 126263073, Gynėjų str. 14, Vilnius Register of Legal Entities	100% controlled by Invalda INVL	21-05-2018 Distribution agreement regarding distribution of INVL Baltic Real Estate shares according to approved prospectus. Price – 3% of the offering price.	

UAB NRD CS, code 303115085, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	100% controlled company by INVL Technology, a closed-ended type investment company managed by INVL Asset Management which is 100% controlled by Invalda INVL	28 August 2018 agreement for the provision of IT evaluation services. INVL Asset Management which is 100% controlled by Invalda INVL also signed an agreement for the provision of IT evaluation services with NRD CS. Total value of services is EUR 13,2 thousand (VAT not included).	
MD PARTNERS UAB, code 304842899, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	100% controlled company by Invalda INVL	3 September 2018 service contract for the provision of accounting services. Monthly service cost is EUR 45 (VAT not included).	
MD PARTNERS UAB, code 304842899, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	100% controlled company by Invalda INVL	18 September 2018 Convertible bonds subscription agreement was signed. 20 September Invalda INVL acquired convertible bonds of MD PARTNERS UAB for EUR 4,72 mln. INVL Special Opportunities Fund, a fund managed by INVL Asset Management which is 100% controlled by Invalda INVL, acquired convertible bonds of MD PARTNERS UAB for EUR 4,475 mln.	According to the Audit Committee of Invalda INVL, there is no reason to believe that the acquisition of convertible bonds would be non-market-based or would be unfair and unfounded in respect of shareholders of Invalda INVL, who are not parties to this agreement. The Management Board of Invalda INVL approved the transaction on 10 September 2018.
SUTNTIB INVL Baltic Real Estate code 152105644, Gynėjų str. 14, Vilnius Register of Legal Entities	Invalda INVL ownes more than 30% of shares	Invalda INVL's 100% controlled company INVL Asset Management UAB concluded lease agreement regarding the non-residential premises lease No. 2015-10-30/1, on the basis of which additional premises were rented. The value of the transaction is EUR 2602.85 excluding VAT.	
UAB Kelio ženklai code 185274242, Geležinkelio str., Pilviškės, Vilkaviškis district Juridinių asmenų registras Register of Legal Entities	100% controlled by Invalda INVL	11-10-2018 Loan agreement No. P/1801011/01, EUR 40,000	
UAB BSGF Sanus, code 304924481, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	100% controlled by Invalda INVL	15-10-2018 Share subscription agreement, No. 2018-01, EUR 300,000	
UAB BSGF Sanus, code 304924481, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	100% controlled by Invalda INVL	14-12-2018 Share subscription agreement, EUR 296,825	
UAB Kelio ženklai	100% controlled by	17-12-2018 Share subscription	

code 185274242, Geležinkelio str., Pilviškės, Vilkaviškis district Register of Legal Entities	Invalda INVL	agreement, EUR 319,000	
UAB „INVL Asset Management“ kodas 126263073 Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	100 proc. AB „Invalda INVL“ kontroliuojama bendrovė	19-12-2018 Share subsription agreement, EUR 2,320,000	
UAB „Proprietas“, kodas 303252098, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	100 proc. SUTNTIB „INVL Baltic Real Estate“, kurios daugiau kaip 30 proc. valdo AB „Invalda INVL“, kontroliuojama bendrovė	21-12-2018 agreement on the provision of accounting services No. 20140531/02. Monthly price was changed – 500 Eur excluding VAT	
UAB INVL miškai, code 304493102, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	100% cotrolled by the investment fund for proffesional investors which is managed by INVL Asset Management, a 100% subsidiary of Invalda INVL.	21-12-2018 agreement on the provision of accounting services No. 201704/01. Monthly price was changed – 200 Eur excluding VAT.	
UAB Kelio ženklai code 185274242, Geležinkelio str., Pilviškės, Vilkaviškis district Register of Legal Entities	100% controlled by Invalda INVL	31-12-2018 Loan agreement No. P/181231/01, EUR 767,802.56	

6. Information regarding the shareholders who have special rights of control and the description of such right

There are no shareholders having special rights of control in the Company.

7. Information regarding all current restrictions on voting rights *(such as the restrictions on voting rights of persons having a certain percentage or number of the votes, the deadlines by which voting rights may be exercised or systems, according to which the property rights granted by the securities are to be separated from the holder of those securities)*

No restrictions on voting rights are applied in the Company.

8. Information regarding the rules governing the appointment and dismissal of board members, as well as the amendment of the company's articles of association

The Board members of the Company act in accordance with the Law on Companies of the Republic of Lithuania, Articles of Association of the Company, Rules of Procedure of the Board, as well as other applicable legislation. The Board members of the Company always act for the benefit of the Company and its shareholders.

The procedure for changing the Articles of Association is no different from stated in the Law on Companies of the Republic of Lithuania.

9.Information regarding the powers of the board members

The Board members of the Company act in accordance with the Law on Companies of the Republic of Lithuania, Articles of Association of the Company, Rules of Procedure of the Board, as well as other applicable legislation, and have no special powers. The Board members of the Company always act for the benefit of the Company and its shareholders. More information is disclosed in the Clause 11.2. of the Section IV of the consolidated report of 2018.

10. Information regarding the competence of the General Shareholders Meeting, the rights of shareholders and implementation thereof, if such information is not established in the applicable legislation

The company provides information regarding the competence of the General Shareholders Meeting, the rights of shareholders, and implementation thereof, as well as the procedure for convening such meetings, in Clause 11.1. of the consolidated annual report of 2018.

11. Information regarding the composition of the management, supervisory bodies, and the committees thereof, as well as the fields of activity of the aforesaid bodies and the manager of the company

The Company provides information about Members of the Board of the Company as well as the manager of the Company, in Clause 12. of the consolidated report of 2018.

12. Description of diversity policy applicable in appointing the manager of the company, management, and supervisory bodies, related to the aspects such as age, gender, education, professional experience; objectives of such policy, methods of implementation thereof, and results of the reference period. if the diversity policy is not applied, the reasons thereof shall be indicated

The Company organizes its activities in a way that employees, despite of their duties and the need to upgrade their qualifications, are secure about equal working conditions, opportunities to develop competence, etc. Equally, the same benefits are granted regardless of the gender, race, nationality, language, origin, social status, believes or convictions, age, sexual orientation, disability, ethnicity, religion, marital status, intention of having children's or membership of the political party or association. More information is disclosed in the Appendix 2 of the consolidated report of 2018.

13. Information on the remuneration of each member of the management and supervisory body (average salaries paid during the reporting period, showing separately bonuses, and other benefits)

Information is disclosed in the Clause 14 of the consolidated annual report for 2018.

14. Information about all agreements between shareholders (their essence, conditions).
Information is disclosed in Clause 8.1. of the consolidated report of 2018.

APPENDIX 4. SOCIAL RESPONSIBILITY REPORT

About the report

This Social Responsibility Report was prepared for the period of January - December 2018, but it also includes important previous periods' social responsibility events in Invalda INVL AB (hereinafter referred to as the Company) and a group. Information on the Company's business model is provided in Chapter I, Section 2, Key Data on the Issuer and its Group of Companies of the Annual Report for 2018.

This is the first corporate Social Responsibility Report to be launched since the Company was established in 1991. It provides the information needed to assess how important issues, related to partners, community, and employees, are dealt with. The report provides information that is significant for assessing the economic, social and environmental impact of the company and group activities and/or influencing stakeholder decisions.

The company adheres to 10 Principles of the UN Global Compact defining business responsibilities in the areas of human rights, labor rights, environmental protection and anti-corruption, and aims to reduce the impact of its activities on the environment, community, other businesses, and joint efforts to engage in solving issues related to economic, social and environmental protection, contribute to society's development and economic growth. The main task of the Global Compact is to promote and foster the social justice of businesses and markets. These generally accepted and declared guidelines for responsible behavior are a clear and meaningful indication of the Company's development of a socially responsible business.

Principles that are accepted and applied by Invalda INVL:

Human rights:

- Support and respect human rights protection in the sphere of Company's influence.
- Ensure that the Company does not contribute to human rights violations.

Employee Rights:

- Recognize the freedom of employees' associations and the right to effective negotiations.
- Eliminating any form of forced and compulsory labor.
- Absence of discrimination related to employment and occupation.

Environmental Protection:

- Acceptance of initiatives to increase environmental responsibility.
- Promoting the development and diffusion of environmentally friendly technologies.
- Working against corruption.
- Combating all forms of corruption (including tampering and bribery).

Relationship with employees

Invalda INVL seeks to operate as a company in which the rights, needs and contribution to the operations of the company of each employee are properly respected. In forming the team, Invalda INVL AB focuses on promoting people's creativity, qualification, positive thinking, willingness and ability to work and develop efficiently, to comply with high ethical standards.

The company respects employees' rights and advocates any discrimination in the recruitment of new employees or existing employees.

The objective annual assessment of employee competencies by the employee and his / her manager is the main method of employee evaluation. The company takes care of raising the competence of the employees. The company sets and pays salaries in a transparent manner, in accordance with clearly defined procedures. The company cares about the health of its employees, organizes informal events on its own initiative, inviting all the employees of the group to take care of the organizational culture that is favorable to the employees.

The establishment of safe and healthy working conditions in the company is regulated by the Labor Code of the Republic of Lithuania and other legislation on occupational safety and health. The company strives to provide employees with healthy and safe working conditions, therefore special attention is paid to the health protection of workers, prevention of occupational diseases and promotion of physical activity. The company organizes a free health check for employees. During the inspection, employees can not only check compliance with necessary workplace risk factors, but also consult a specialist on health issues.

The company takes care not only of employees' rest breaks in the office, but also organizes periodic events, which promote the physical activity and informal communication of employees.

Photos from moments from INVL Finasta ALUMNI's first meeting in 2017 and INVL Group Employees ’18 summer event:

The main goal of the Company's personnel policy is to attract and retain qualified employees, as well as to develop long-term partnership relationships with them and the overall future of the Company as a principle of mutual value generation.

The company provides opportunities for employment and successful work for people of all ages and experiences.

Group employee information at the end of the reporting period:

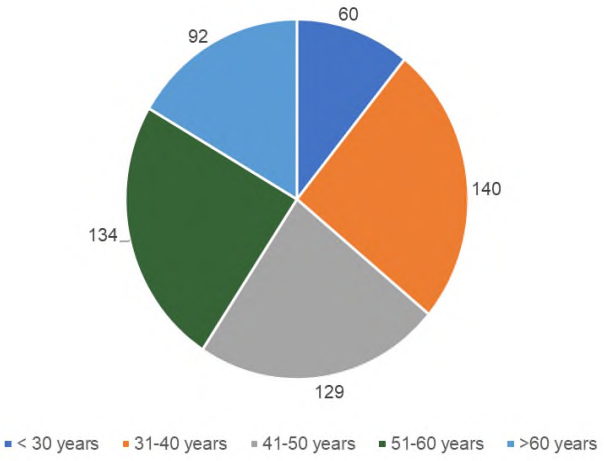
By employment contract:

Total number of employees 31-12-2018	Fixed-term employment contract			A contract for an indefinite period		
	Total	Women	Men	Total	Women	Men
555	47	20	27	508	264	244

By type of employment:

Total number of employees 31-12-2018	Working full time			Part time work		
	Total	Women	Men	Total	Women	Men
555	420	183	237	135	102	33

Group employees by the age



The company has prepared and approved its Code of Ethics to ensure that all employees are well aware of the principles of activities that they are expected to adhere to. The fundamental basis of ethical norms is the compliance with legal acts and all employees without any exception respect laws and strictly adhere to them. Employees shall avoid situations that

may potentially raise any doubts concerning their abilities to act for the benefit of the company, or could lead to conflicts of interests. Also employees of the company undertake not to disclose any confidential information and shall refrain from insider trading in securities in their own name, or on behalf of their members of family or other related persons.

Relationship with society

In carrying out its activities and acting in different communities, the company adheres to the Code of Ethics, the Code of Shareholders' Rights and the general principles of protection of human rights. The company supports and respects the international protection of human rights in its sphere of influence, and advocates any violation thereof.

Consumer information and transparency

The company publicly discloses information about the company's activities and objectives, financial results, members of the management bodies and shareholders, related party transactions, the company's management structure and strategy and other information relevant to investors on the company's constantly updated website, as well as in annual and periodic announcements that are publicly disclosed and placed on the company's website.

The information published by the company is simultaneously disclosed to all persons. The company shall not disclose information that may potentially affect the price of the securities issued by it in the comments, interviews or in any other manner until such information is publicly disclosed through the Nasdaq Vilnius Public Information System.

Equitable treatment of shareholders and shareholder rights

The company has approved the Shareholder Rights Code, which defines the main obligations of the company to its shareholders.

The company has issued ordinary registered shares with a nominal value of EUR 0.29. Each share entitles its shareholders to the same rights provided for in the legislation of the Republic of Lithuania.

All shareholders of the company have equal opportunities to get acquainted and participate in making decisions that are important to the company. Procedures for convening and conducting General Shareholders' Meetings are in accordance with the applicable legal provisions and provide equal opportunities for shareholders to participate in the meeting, to get acquainted with draft decisions and materials necessary for decision making, as well as to ask questions to the members of the Board of the company whose contacts are publicly available on the company's website www.invaldainvl.com.

Social projects

In 2007 the company has established a public company Iniciatyvos fondas (Initiative Foundation), which aims to promote a social initiative by organizing various programs for individual groups of society. The main idea of these programs is to give people the opportunity to seek relevant changes by supporting their initiative to act and encouraging self-initiative, actively contributing to the development of a responsible and harmonious society. Priorities of Iniciatyvos fondas may vary from year to year.

The mission of Iniciatyvos fondas is to promote the initiative, social responsibility and the current potential of an individual or society to pursue an active and cohesive society.

The latest initiative of the Iniciatyvos fondas is the Positive Diary. The aim of the project Positive Diary is to draw the attention of the Lithuanian population to the good changes in the society and the achievements of all of us, which often remain unnoticed in the general news flow. The goal is to shoot 1000 stories of positive messages that inspire people to see good. Devotion to another, belief that alone you can change the world - these are the fundamental values that inspire significant successes.

Environmental protection

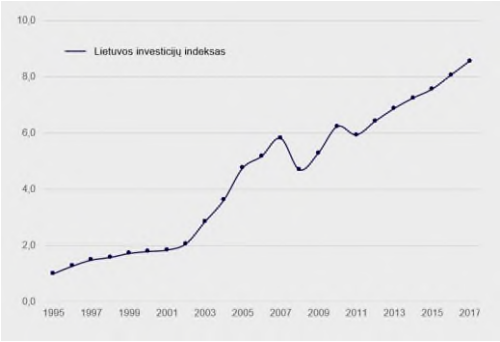
In its activities the company seeks to conserve the environment, use natural resources economically, and encourage the group companies to implement modern, efficient and environmentally safe technologies in their production activities. Environmental issues at the group's manufacturing plants include: safe operation of equipment, safe use of environmentally hazardous materials, management of waste generated.

Activity in the market

In line with the Global Compact Principle of Anti-Corruption, the company pays all taxes in a transparent manner. The company and its employees follow the principles of zero tolerance for corruption. The company does not tolerate any forms of corruption, both direct and indirect.

The company is a member of the following organizations and associations:

- Lithuanian private equity and venture capital association;
- Invest Europe – the organisation that unites Europe's private equity and venture capital companies and investors;
- Investors association.



In 2017 seeking to promote an investment culture INVL Asset Management has compiled the Lithuanian Investment Index fro the first time. The Investment index is subsequently calculated every year.

The Lithuanian Investment Index calculated by INVL Asset Management shows how the annual return on investment in the four main types of assets has been increasing since 1995. In the index, the return on short-term debt securities and money market instruments (deposits), long-term bonds, equities, housing investment (expences estimated from 2016 onwards) were assessed, giving each of them the same weight.

Invalda INVL together with its INVL Asset Management companies in Lithuania and Latvia, has joined the UN-supported Principles for Responsible Investment (PRI) in the middle of 2017. The PRI, founded in 2006, is a global network of over 1700 investors, aims to assess the investment implications of environmental, social and governance (ESG) factors. An economically efficient, sustainable global financial system is considered a necessity for long-term value creation. Investors who support the PRI voluntarily work to apply the principles in their investment activities.

Six specific responsible investment Principles are outlined by the PRI. They provide a menu of possible actions for incorporating ESG issues into investment practice – from investment analysis and decision-making to their incorporation into ownership policies and practices. Additionally, signatories to the Principles are encouraged to promote the Principles' acceptance in the investment industry and to work together for their effective implementation.